



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

SB2740

Introduced 2/16/2016, by Sen. Linda Holmes

#### SYNOPSIS AS INTRODUCED:

35 ILCS 105/3-5	
35 ILCS 105/3-50	from Ch. 120, par. 439.3-50
35 ILCS 105/3-85	
35 ILCS 110/2	from Ch. 120, par. 439.32
35 ILCS 110/3-5	
35 ILCS 110/3-70	
35 ILCS 115/2	from Ch. 120, par. 439.102
35 ILCS 115/3-5	
35 ILCS 120/2-5	
35 ILCS 120/2-45	from Ch. 120, par. 441-45

Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that, beginning on August 31, 2014, graphic arts machinery and equipment is included in the manufacturing and assembling machinery and equipment exemption. Provides that the manufacturing and assembling machinery and equipment exemption is exempt from the Acts' automatic sunset provisions. Provides that the Manufacturer's Purchase Credit for purchases of graphic arts machinery and equipment applies permanently on and after September 1, 2004. Effective immediately.

LRB099 17801 HLH 42163 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Use Tax Act is amended by changing Sections  
5 3-5, 3-50, and 3-85 as follows:

6 (35 ILCS 105/3-5)

7 Sec. 3-5. Exemptions. Use of the following tangible  
8 personal property is exempt from the tax imposed by this Act:

9 (1) Personal property purchased from a corporation,  
10 society, association, foundation, institution, or  
11 organization, other than a limited liability company, that is  
12 organized and operated as a not-for-profit service enterprise  
13 for the benefit of persons 65 years of age or older if the  
14 personal property was not purchased by the enterprise for the  
15 purpose of resale by the enterprise.

16 (2) Personal property purchased by a not-for-profit  
17 Illinois county fair association for use in conducting,  
18 operating, or promoting the county fair.

19 (3) Personal property purchased by a not-for-profit arts or  
20 cultural organization that establishes, by proof required by  
21 the Department by rule, that it has received an exemption under  
22 Section 501(c)(3) of the Internal Revenue Code and that is  
23 organized and operated primarily for the presentation or

1 support of arts or cultural programming, activities, or  
2 services. These organizations include, but are not limited to,  
3 music and dramatic arts organizations such as symphony  
4 orchestras and theatrical groups, arts and cultural service  
5 organizations, local arts councils, visual arts organizations,  
6 and media arts organizations. On and after the effective date  
7 of this amendatory Act of the 92nd General Assembly, however,  
8 an entity otherwise eligible for this exemption shall not make  
9 tax-free purchases unless it has an active identification  
10 number issued by the Department.

11 (4) Personal property purchased by a governmental body, by  
12 a corporation, society, association, foundation, or  
13 institution organized and operated exclusively for charitable,  
14 religious, or educational purposes, or by a not-for-profit  
15 corporation, society, association, foundation, institution, or  
16 organization that has no compensated officers or employees and  
17 that is organized and operated primarily for the recreation of  
18 persons 55 years of age or older. A limited liability company  
19 may qualify for the exemption under this paragraph only if the  
20 limited liability company is organized and operated  
21 exclusively for educational purposes. On and after July 1,  
22 1987, however, no entity otherwise eligible for this exemption  
23 shall make tax-free purchases unless it has an active exemption  
24 identification number issued by the Department.

25 (5) Until July 1, 2003, a passenger car that is a  
26 replacement vehicle to the extent that the purchase price of

1 the car is subject to the Replacement Vehicle Tax.

2 (6) Until July 1, 2003 and beginning again on September 1,  
3 2004 through August 30, 2014, graphic arts machinery and  
4 equipment, including repair and replacement parts, both new and  
5 used, and including that manufactured on special order,  
6 certified by the purchaser to be used primarily for graphic  
7 arts production, and including machinery and equipment  
8 purchased for lease. Equipment includes chemicals or chemicals  
9 acting as catalysts but only if the chemicals or chemicals  
10 acting as catalysts effect a direct and immediate change upon a  
11 graphic arts product. Beginning on August 31, 2014, graphic  
12 arts machinery and equipment is included in the manufacturing  
13 and assembling machinery and equipment exemption under  
14 paragraph (18).

15 (7) Farm chemicals.

16 (8) Legal tender, currency, medallions, or gold or silver  
17 coinage issued by the State of Illinois, the government of the  
18 United States of America, or the government of any foreign  
19 country, and bullion.

20 (9) Personal property purchased from a teacher-sponsored  
21 student organization affiliated with an elementary or  
22 secondary school located in Illinois.

23 (10) A motor vehicle that is used for automobile renting,  
24 as defined in the Automobile Renting Occupation and Use Tax  
25 Act.

26 (11) Farm machinery and equipment, both new and used,

1 including that manufactured on special order, certified by the  
2 purchaser to be used primarily for production agriculture or  
3 State or federal agricultural programs, including individual  
4 replacement parts for the machinery and equipment, including  
5 machinery and equipment purchased for lease, and including  
6 implements of husbandry defined in Section 1-130 of the  
7 Illinois Vehicle Code, farm machinery and agricultural  
8 chemical and fertilizer spreaders, and nurse wagons required to  
9 be registered under Section 3-809 of the Illinois Vehicle Code,  
10 but excluding other motor vehicles required to be registered  
11 under the Illinois Vehicle Code. Horticultural polyhouses or  
12 hoop houses used for propagating, growing, or overwintering  
13 plants shall be considered farm machinery and equipment under  
14 this item (11). Agricultural chemical tender tanks and dry  
15 boxes shall include units sold separately from a motor vehicle  
16 required to be licensed and units sold mounted on a motor  
17 vehicle required to be licensed if the selling price of the  
18 tender is separately stated.

19 Farm machinery and equipment shall include precision  
20 farming equipment that is installed or purchased to be  
21 installed on farm machinery and equipment including, but not  
22 limited to, tractors, harvesters, sprayers, planters, seeders,  
23 or spreaders. Precision farming equipment includes, but is not  
24 limited to, soil testing sensors, computers, monitors,  
25 software, global positioning and mapping systems, and other  
26 such equipment.

1 Farm machinery and equipment also includes computers,  
2 sensors, software, and related equipment used primarily in the  
3 computer-assisted operation of production agriculture  
4 facilities, equipment, and activities such as, but not limited  
5 to, the collection, monitoring, and correlation of animal and  
6 crop data for the purpose of formulating animal diets and  
7 agricultural chemicals. This item (11) is exempt from the  
8 provisions of Section 3-90.

9 (12) Until June 30, 2013, fuel and petroleum products sold  
10 to or used by an air common carrier, certified by the carrier  
11 to be used for consumption, shipment, or storage in the conduct  
12 of its business as an air common carrier, for a flight destined  
13 for or returning from a location or locations outside the  
14 United States without regard to previous or subsequent domestic  
15 stopovers.

16 Beginning July 1, 2013, fuel and petroleum products sold to  
17 or used by an air carrier, certified by the carrier to be used  
18 for consumption, shipment, or storage in the conduct of its  
19 business as an air common carrier, for a flight that (i) is  
20 engaged in foreign trade or is engaged in trade between the  
21 United States and any of its possessions and (ii) transports at  
22 least one individual or package for hire from the city of  
23 origination to the city of final destination on the same  
24 aircraft, without regard to a change in the flight number of  
25 that aircraft.

26 (13) Proceeds of mandatory service charges separately

1 stated on customers' bills for the purchase and consumption of  
2 food and beverages purchased at retail from a retailer, to the  
3 extent that the proceeds of the service charge are in fact  
4 turned over as tips or as a substitute for tips to the  
5 employees who participate directly in preparing, serving,  
6 hosting or cleaning up the food or beverage function with  
7 respect to which the service charge is imposed.

8 (14) Until July 1, 2003, oil field exploration, drilling,  
9 and production equipment, including (i) rigs and parts of rigs,  
10 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and  
11 tubular goods, including casing and drill strings, (iii) pumps  
12 and pump-jack units, (iv) storage tanks and flow lines, (v) any  
13 individual replacement part for oil field exploration,  
14 drilling, and production equipment, and (vi) machinery and  
15 equipment purchased for lease; but excluding motor vehicles  
16 required to be registered under the Illinois Vehicle Code.

17 (15) Photoprocessing machinery and equipment, including  
18 repair and replacement parts, both new and used, including that  
19 manufactured on special order, certified by the purchaser to be  
20 used primarily for photoprocessing, and including  
21 photoprocessing machinery and equipment purchased for lease.

22 (16) Coal and aggregate exploration, mining, off-highway  
23 hauling, processing, maintenance, and reclamation equipment,  
24 including replacement parts and equipment, and including  
25 equipment purchased for lease, but excluding motor vehicles  
26 required to be registered under the Illinois Vehicle Code. The

1 changes made to this Section by Public Act 97-767 apply on and  
2 after July 1, 2003, but no claim for credit or refund is  
3 allowed on or after August 16, 2013 (the effective date of  
4 Public Act 98-456) for such taxes paid during the period  
5 beginning July 1, 2003 and ending on August 16, 2013 (the  
6 effective date of Public Act 98-456).

7 (17) Until July 1, 2003, distillation machinery and  
8 equipment, sold as a unit or kit, assembled or installed by the  
9 retailer, certified by the user to be used only for the  
10 production of ethyl alcohol that will be used for consumption  
11 as motor fuel or as a component of motor fuel for the personal  
12 use of the user, and not subject to sale or resale.

13 (18) Manufacturing and assembling machinery and equipment  
14 used primarily in the process of manufacturing or assembling  
15 tangible personal property for wholesale or retail sale or  
16 lease, whether that sale or lease is made directly by the  
17 manufacturer or by some other person, whether the materials  
18 used in the process are owned by the manufacturer or some other  
19 person, or whether that sale or lease is made apart from or as  
20 an incident to the seller's engaging in the service occupation  
21 of producing machines, tools, dies, jigs, patterns, gauges, or  
22 other similar items of no commercial value on special order for  
23 a particular purchaser. The exemption provided by this  
24 paragraph (18) does not include machinery and equipment used in  
25 (i) the generation of electricity for wholesale or retail sale;  
26 (ii) the generation or treatment of natural or artificial gas

1 for wholesale or retail sale that is delivered to customers  
2 through pipes, pipelines, or mains; or (iii) the treatment of  
3 water for wholesale or retail sale that is delivered to  
4 customers through pipes, pipelines, or mains. The provisions of  
5 Public Act 98-583 are declaratory of existing law as to the  
6 meaning and scope of this exemption. Beginning on August 31,  
7 2014, the exemption provided by this paragraph (18) includes,  
8 but is not limited to, graphic arts machinery and equipment, as  
9 defined in paragraph (6) of this Section. The exemption  
10 provided by this paragraph (18) is exempt from the provisions  
11 of Section 3-90.

12 (19) Personal property delivered to a purchaser or  
13 purchaser's donee inside Illinois when the purchase order for  
14 that personal property was received by a florist located  
15 outside Illinois who has a florist located inside Illinois  
16 deliver the personal property.

17 (20) Semen used for artificial insemination of livestock  
18 for direct agricultural production.

19 (21) Horses, or interests in horses, registered with and  
20 meeting the requirements of any of the Arabian Horse Club  
21 Registry of America, Appaloosa Horse Club, American Quarter  
22 Horse Association, United States Trotting Association, or  
23 Jockey Club, as appropriate, used for purposes of breeding or  
24 racing for prizes. This item (21) is exempt from the provisions  
25 of Section 3-90, and the exemption provided for under this item  
26 (21) applies for all periods beginning May 30, 1995, but no

1 claim for credit or refund is allowed on or after January 1,  
2 2008 for such taxes paid during the period beginning May 30,  
3 2000 and ending on January 1, 2008.

4 (22) Computers and communications equipment utilized for  
5 any hospital purpose and equipment used in the diagnosis,  
6 analysis, or treatment of hospital patients purchased by a  
7 lessor who leases the equipment, under a lease of one year or  
8 longer executed or in effect at the time the lessor would  
9 otherwise be subject to the tax imposed by this Act, to a  
10 hospital that has been issued an active tax exemption  
11 identification number by the Department under Section 1g of the  
12 Retailers' Occupation Tax Act. If the equipment is leased in a  
13 manner that does not qualify for this exemption or is used in  
14 any other non-exempt manner, the lessor shall be liable for the  
15 tax imposed under this Act or the Service Use Tax Act, as the  
16 case may be, based on the fair market value of the property at  
17 the time the non-qualifying use occurs. No lessor shall collect  
18 or attempt to collect an amount (however designated) that  
19 purports to reimburse that lessor for the tax imposed by this  
20 Act or the Service Use Tax Act, as the case may be, if the tax  
21 has not been paid by the lessor. If a lessor improperly  
22 collects any such amount from the lessee, the lessee shall have  
23 a legal right to claim a refund of that amount from the lessor.  
24 If, however, that amount is not refunded to the lessee for any  
25 reason, the lessor is liable to pay that amount to the  
26 Department.

1           (23) Personal property purchased by a lessor who leases the  
2 property, under a lease of one year or longer executed or in  
3 effect at the time the lessor would otherwise be subject to the  
4 tax imposed by this Act, to a governmental body that has been  
5 issued an active sales tax exemption identification number by  
6 the Department under Section 1g of the Retailers' Occupation  
7 Tax Act. If the property is leased in a manner that does not  
8 qualify for this exemption or used in any other non-exempt  
9 manner, the lessor shall be liable for the tax imposed under  
10 this Act or the Service Use Tax Act, as the case may be, based  
11 on the fair market value of the property at the time the  
12 non-qualifying use occurs. No lessor shall collect or attempt  
13 to collect an amount (however designated) that purports to  
14 reimburse that lessor for the tax imposed by this Act or the  
15 Service Use Tax Act, as the case may be, if the tax has not been  
16 paid by the lessor. If a lessor improperly collects any such  
17 amount from the lessee, the lessee shall have a legal right to  
18 claim a refund of that amount from the lessor. If, however,  
19 that amount is not refunded to the lessee for any reason, the  
20 lessor is liable to pay that amount to the Department.

21           (24) Beginning with taxable years ending on or after  
22 December 31, 1995 and ending with taxable years ending on or  
23 before December 31, 2004, personal property that is donated for  
24 disaster relief to be used in a State or federally declared  
25 disaster area in Illinois or bordering Illinois by a  
26 manufacturer or retailer that is registered in this State to a

1 corporation, society, association, foundation, or institution  
2 that has been issued a sales tax exemption identification  
3 number by the Department that assists victims of the disaster  
4 who reside within the declared disaster area.

5 (25) Beginning with taxable years ending on or after  
6 December 31, 1995 and ending with taxable years ending on or  
7 before December 31, 2004, personal property that is used in the  
8 performance of infrastructure repairs in this State, including  
9 but not limited to municipal roads and streets, access roads,  
10 bridges, sidewalks, waste disposal systems, water and sewer  
11 line extensions, water distribution and purification  
12 facilities, storm water drainage and retention facilities, and  
13 sewage treatment facilities, resulting from a State or  
14 federally declared disaster in Illinois or bordering Illinois  
15 when such repairs are initiated on facilities located in the  
16 declared disaster area within 6 months after the disaster.

17 (26) Beginning July 1, 1999, game or game birds purchased  
18 at a "game breeding and hunting preserve area" as that term is  
19 used in the Wildlife Code. This paragraph is exempt from the  
20 provisions of Section 3-90.

21 (27) A motor vehicle, as that term is defined in Section  
22 1-146 of the Illinois Vehicle Code, that is donated to a  
23 corporation, limited liability company, society, association,  
24 foundation, or institution that is determined by the Department  
25 to be organized and operated exclusively for educational  
26 purposes. For purposes of this exemption, "a corporation,

1 limited liability company, society, association, foundation,  
2 or institution organized and operated exclusively for  
3 educational purposes" means all tax-supported public schools,  
4 private schools that offer systematic instruction in useful  
5 branches of learning by methods common to public schools and  
6 that compare favorably in their scope and intensity with the  
7 course of study presented in tax-supported schools, and  
8 vocational or technical schools or institutes organized and  
9 operated exclusively to provide a course of study of not less  
10 than 6 weeks duration and designed to prepare individuals to  
11 follow a trade or to pursue a manual, technical, mechanical,  
12 industrial, business, or commercial occupation.

13 (28) Beginning January 1, 2000, personal property,  
14 including food, purchased through fundraising events for the  
15 benefit of a public or private elementary or secondary school,  
16 a group of those schools, or one or more school districts if  
17 the events are sponsored by an entity recognized by the school  
18 district that consists primarily of volunteers and includes  
19 parents and teachers of the school children. This paragraph  
20 does not apply to fundraising events (i) for the benefit of  
21 private home instruction or (ii) for which the fundraising  
22 entity purchases the personal property sold at the events from  
23 another individual or entity that sold the property for the  
24 purpose of resale by the fundraising entity and that profits  
25 from the sale to the fundraising entity. This paragraph is  
26 exempt from the provisions of Section 3-90.

1           (29) Beginning January 1, 2000 and through December 31,  
2           2001, new or used automatic vending machines that prepare and  
3           serve hot food and beverages, including coffee, soup, and other  
4           items, and replacement parts for these machines. Beginning  
5           January 1, 2002 and through June 30, 2003, machines and parts  
6           for machines used in commercial, coin-operated amusement and  
7           vending business if a use or occupation tax is paid on the  
8           gross receipts derived from the use of the commercial,  
9           coin-operated amusement and vending machines. This paragraph  
10          is exempt from the provisions of Section 3-90.

11          (30) Beginning January 1, 2001 and through June 30, 2016,  
12          food for human consumption that is to be consumed off the  
13          premises where it is sold (other than alcoholic beverages, soft  
14          drinks, and food that has been prepared for immediate  
15          consumption) and prescription and nonprescription medicines,  
16          drugs, medical appliances, and insulin, urine testing  
17          materials, syringes, and needles used by diabetics, for human  
18          use, when purchased for use by a person receiving medical  
19          assistance under Article V of the Illinois Public Aid Code who  
20          resides in a licensed long-term care facility, as defined in  
21          the Nursing Home Care Act, or in a licensed facility as defined  
22          in the ID/DD Community Care Act, the MC/DD Act, or the  
23          Specialized Mental Health Rehabilitation Act of 2013.

24          (31) Beginning on the effective date of this amendatory Act  
25          of the 92nd General Assembly, computers and communications  
26          equipment utilized for any hospital purpose and equipment used

1 in the diagnosis, analysis, or treatment of hospital patients  
2 purchased by a lessor who leases the equipment, under a lease  
3 of one year or longer executed or in effect at the time the  
4 lessor would otherwise be subject to the tax imposed by this  
5 Act, to a hospital that has been issued an active tax exemption  
6 identification number by the Department under Section 1g of the  
7 Retailers' Occupation Tax Act. If the equipment is leased in a  
8 manner that does not qualify for this exemption or is used in  
9 any other nonexempt manner, the lessor shall be liable for the  
10 tax imposed under this Act or the Service Use Tax Act, as the  
11 case may be, based on the fair market value of the property at  
12 the time the nonqualifying use occurs. No lessor shall collect  
13 or attempt to collect an amount (however designated) that  
14 purports to reimburse that lessor for the tax imposed by this  
15 Act or the Service Use Tax Act, as the case may be, if the tax  
16 has not been paid by the lessor. If a lessor improperly  
17 collects any such amount from the lessee, the lessee shall have  
18 a legal right to claim a refund of that amount from the lessor.  
19 If, however, that amount is not refunded to the lessee for any  
20 reason, the lessor is liable to pay that amount to the  
21 Department. This paragraph is exempt from the provisions of  
22 Section 3-90.

23 (32) Beginning on the effective date of this amendatory Act  
24 of the 92nd General Assembly, personal property purchased by a  
25 lessor who leases the property, under a lease of one year or  
26 longer executed or in effect at the time the lessor would

1 otherwise be subject to the tax imposed by this Act, to a  
2 governmental body that has been issued an active sales tax  
3 exemption identification number by the Department under  
4 Section 1g of the Retailers' Occupation Tax Act. If the  
5 property is leased in a manner that does not qualify for this  
6 exemption or used in any other nonexempt manner, the lessor  
7 shall be liable for the tax imposed under this Act or the  
8 Service Use Tax Act, as the case may be, based on the fair  
9 market value of the property at the time the nonqualifying use  
10 occurs. No lessor shall collect or attempt to collect an amount  
11 (however designated) that purports to reimburse that lessor for  
12 the tax imposed by this Act or the Service Use Tax Act, as the  
13 case may be, if the tax has not been paid by the lessor. If a  
14 lessor improperly collects any such amount from the lessee, the  
15 lessee shall have a legal right to claim a refund of that  
16 amount from the lessor. If, however, that amount is not  
17 refunded to the lessee for any reason, the lessor is liable to  
18 pay that amount to the Department. This paragraph is exempt  
19 from the provisions of Section 3-90.

20 (33) On and after July 1, 2003 and through June 30, 2004,  
21 the use in this State of motor vehicles of the second division  
22 with a gross vehicle weight in excess of 8,000 pounds and that  
23 are subject to the commercial distribution fee imposed under  
24 Section 3-815.1 of the Illinois Vehicle Code. Beginning on July  
25 1, 2004 and through June 30, 2005, the use in this State of  
26 motor vehicles of the second division: (i) with a gross vehicle

1 weight rating in excess of 8,000 pounds; (ii) that are subject  
2 to the commercial distribution fee imposed under Section  
3 3-815.1 of the Illinois Vehicle Code; and (iii) that are  
4 primarily used for commercial purposes. Through June 30, 2005,  
5 this exemption applies to repair and replacement parts added  
6 after the initial purchase of such a motor vehicle if that  
7 motor vehicle is used in a manner that would qualify for the  
8 rolling stock exemption otherwise provided for in this Act. For  
9 purposes of this paragraph, the term "used for commercial  
10 purposes" means the transportation of persons or property in  
11 furtherance of any commercial or industrial enterprise,  
12 whether for-hire or not.

13 (34) Beginning January 1, 2008, tangible personal property  
14 used in the construction or maintenance of a community water  
15 supply, as defined under Section 3.145 of the Environmental  
16 Protection Act, that is operated by a not-for-profit  
17 corporation that holds a valid water supply permit issued under  
18 Title IV of the Environmental Protection Act. This paragraph is  
19 exempt from the provisions of Section 3-90.

20 (35) Beginning January 1, 2010, materials, parts,  
21 equipment, components, and furnishings incorporated into or  
22 upon an aircraft as part of the modification, refurbishment,  
23 completion, replacement, repair, or maintenance of the  
24 aircraft. This exemption includes consumable supplies used in  
25 the modification, refurbishment, completion, replacement,  
26 repair, and maintenance of aircraft, but excludes any

1 materials, parts, equipment, components, and consumable  
2 supplies used in the modification, replacement, repair, and  
3 maintenance of aircraft engines or power plants, whether such  
4 engines or power plants are installed or uninstalled upon any  
5 such aircraft. "Consumable supplies" include, but are not  
6 limited to, adhesive, tape, sandpaper, general purpose  
7 lubricants, cleaning solution, latex gloves, and protective  
8 films. This exemption applies only to the use of qualifying  
9 tangible personal property by persons who modify, refurbish,  
10 complete, repair, replace, or maintain aircraft and who (i)  
11 hold an Air Agency Certificate and are empowered to operate an  
12 approved repair station by the Federal Aviation  
13 Administration, (ii) have a Class IV Rating, and (iii) conduct  
14 operations in accordance with Part 145 of the Federal Aviation  
15 Regulations. The exemption does not include aircraft operated  
16 by a commercial air carrier providing scheduled passenger air  
17 service pursuant to authority issued under Part 121 or Part 129  
18 of the Federal Aviation Regulations. The changes made to this  
19 paragraph (35) by Public Act 98-534 are declarative of existing  
20 law.

21 (36) Tangible personal property purchased by a  
22 public-facilities corporation, as described in Section  
23 11-65-10 of the Illinois Municipal Code, for purposes of  
24 constructing or furnishing a municipal convention hall, but  
25 only if the legal title to the municipal convention hall is  
26 transferred to the municipality without any further

1 consideration by or on behalf of the municipality at the time  
2 of the completion of the municipal convention hall or upon the  
3 retirement or redemption of any bonds or other debt instruments  
4 issued by the public-facilities corporation in connection with  
5 the development of the municipal convention hall. This  
6 exemption includes existing public-facilities corporations as  
7 provided in Section 11-65-25 of the Illinois Municipal Code.  
8 This paragraph is exempt from the provisions of Section 3-90.

9 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
10 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.  
11 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.  
12 7-29-15.)

13 (35 ILCS 105/3-50) (from Ch. 120, par. 439.3-50)

14 Sec. 3-50. Manufacturing and assembly exemption. The  
15 manufacturing and assembling machinery and equipment exemption  
16 includes machinery and equipment that replaces machinery and  
17 equipment in an existing manufacturing facility as well as  
18 machinery and equipment that are for use in an expanded or new  
19 manufacturing facility. The machinery and equipment exemption  
20 also includes machinery and equipment used in the general  
21 maintenance or repair of exempt machinery and equipment or for  
22 in-house manufacture of exempt machinery and equipment.  
23 Beginning on August 31, 2014, the manufacturing and assembling  
24 machinery and equipment exemption also includes graphic arts  
25 machinery and equipment, as defined in paragraph (6) of Section

1 3-5. The machinery and equipment exemption does not include  
2 machinery and equipment used in (i) the generation of  
3 electricity for wholesale or retail sale; (ii) the generation  
4 or treatment of natural or artificial gas for wholesale or  
5 retail sale that is delivered to customers through pipes,  
6 pipelines, or mains; or (iii) the treatment of water for  
7 wholesale or retail sale that is delivered to customers through  
8 pipes, pipelines, or mains. The provisions of this amendatory  
9 Act of the 98th General Assembly are declaratory of existing  
10 law as to the meaning and scope of this exemption. For the  
11 purposes of this exemption, terms have the following meanings:

12 (1) "Manufacturing process" means the production of an  
13 article of tangible personal property, whether the article  
14 is a finished product or an article for use in the process  
15 of manufacturing or assembling a different article of  
16 tangible personal property, by a procedure commonly  
17 regarded as manufacturing, processing, fabricating, or  
18 refining that changes some existing material into a  
19 material with a different form, use, or name. In relation  
20 to a recognized integrated business composed of a series of  
21 operations that collectively constitute manufacturing, or  
22 individually constitute manufacturing operations, the  
23 manufacturing process commences with the first operation  
24 or stage of production in the series and does not end until  
25 the completion of the final product in the last operation  
26 or stage of production in the series. For purposes of this

1 exemption, photoprocessing is a manufacturing process of  
2 tangible personal property for wholesale or retail sale.

3 (2) "Assembling process" means the production of an  
4 article of tangible personal property, whether the article  
5 is a finished product or an article for use in the process  
6 of manufacturing or assembling a different article of  
7 tangible personal property, by the combination of existing  
8 materials in a manner commonly regarded as assembling that  
9 results in an article or material of a different form, use,  
10 or name.

11 (3) "Machinery" means major mechanical machines or  
12 major components of those machines contributing to a  
13 manufacturing or assembling process.

14 (4) "Equipment" includes an independent device or tool  
15 separate from machinery but essential to an integrated  
16 manufacturing or assembly process; including computers  
17 used primarily in a manufacturer's computer assisted  
18 design, computer assisted manufacturing (CAD/CAM) system;  
19 any subunit or assembly comprising a component of any  
20 machinery or auxiliary, adjunct, or attachment parts of  
21 machinery, such as tools, dies, jigs, fixtures, patterns,  
22 and molds; and any parts that require periodic replacement  
23 in the course of normal operation; but does not include  
24 hand tools. Equipment includes chemicals or chemicals  
25 acting as catalysts but only if the chemicals or chemicals  
26 acting as catalysts effect a direct and immediate change

1           upon a product being manufactured or assembled for  
2           wholesale or retail sale or lease.

3           (5) "Production related tangible personal property"  
4           means all tangible personal property that is used or  
5           consumed by the purchaser in a manufacturing facility in  
6           which a manufacturing process takes place and includes,  
7           without limitation, tangible personal property that is  
8           purchased for incorporation into real estate within a  
9           manufacturing facility and tangible personal property that  
10          is used or consumed in activities such as research and  
11          development, preproduction material handling, receiving,  
12          quality control, inventory control, storage, staging, and  
13          packaging for shipping and transportation purposes.  
14          "Production related tangible personal property" does not  
15          include (i) tangible personal property that is used, within  
16          or without a manufacturing facility, in sales, purchasing,  
17          accounting, fiscal management, marketing, personnel  
18          recruitment or selection, or landscaping or (ii) tangible  
19          personal property that is required to be titled or  
20          registered with a department, agency, or unit of federal,  
21          State, or local government.

22          The manufacturing and assembling machinery and equipment  
23          exemption includes production related tangible personal  
24          property that is purchased on or after July 1, 2007 and on or  
25          before June 30, 2008. The exemption for production related  
26          tangible personal property is subject to both of the following

1 limitations:

2 (1) The maximum amount of the exemption for any one  
3 taxpayer may not exceed 5% of the purchase price of  
4 production related tangible personal property that is  
5 purchased on or after July 1, 2007 and on or before June  
6 30, 2008. A credit under Section 3-85 of this Act may not  
7 be earned by the purchase of production related tangible  
8 personal property for which an exemption is received under  
9 this Section.

10 (2) The maximum aggregate amount of the exemptions for  
11 production related tangible personal property awarded  
12 under this Act and the Retailers' Occupation Tax Act to all  
13 taxpayers may not exceed \$10,000,000. If the claims for the  
14 exemption exceed \$10,000,000, then the Department shall  
15 reduce the amount of the exemption to each taxpayer on a  
16 pro rata basis.

17 The Department may adopt rules to implement and administer the  
18 exemption for production related tangible personal property.

19 The manufacturing and assembling machinery and equipment  
20 exemption includes the sale of materials to a purchaser who  
21 produces exempted types of machinery, equipment, or tools and  
22 who rents or leases that machinery, equipment, or tools to a  
23 manufacturer of tangible personal property. This exemption  
24 also includes the sale of materials to a purchaser who  
25 manufactures those materials into an exempted type of  
26 machinery, equipment, or tools that the purchaser uses himself

1 or herself in the manufacturing of tangible personal property.  
2 This exemption includes the sale of exempted types of machinery  
3 or equipment to a purchaser who is not the manufacturer, but  
4 who rents or leases the use of the property to a manufacturer.  
5 The purchaser of the machinery and equipment who has an active  
6 resale registration number shall furnish that number to the  
7 seller at the time of purchase. A user of the machinery,  
8 equipment, or tools without an active resale registration  
9 number shall prepare a certificate of exemption for each  
10 transaction stating facts establishing the exemption for that  
11 transaction, and that certificate shall be available to the  
12 Department for inspection or audit. The Department shall  
13 prescribe the form of the certificate. Informal rulings,  
14 opinions, or letters issued by the Department in response to an  
15 inquiry or request for an opinion from any person regarding the  
16 coverage and applicability of this exemption to specific  
17 devices shall be published, maintained as a public record, and  
18 made available for public inspection and copying. If the  
19 informal ruling, opinion, or letter contains trade secrets or  
20 other confidential information, where possible, the Department  
21 shall delete that information before publication. Whenever  
22 informal rulings, opinions, or letters contain a policy of  
23 general applicability, the Department shall formulate and  
24 adopt that policy as a rule in accordance with the Illinois  
25 Administrative Procedure Act.

26 The manufacturing and assembling machinery and equipment

1 exemption is exempt from the provisions of Section 3-90.

2 (Source: P.A. 98-583, eff. 1-1-14.)

3 (35 ILCS 105/3-85)

4 Sec. 3-85. Manufacturer's Purchase Credit. For purchases  
5 of machinery and equipment made on and after January 1, 1995  
6 through June 30, 2003, and on and after September 1, 2004  
7 through August 30, 2014, a purchaser of manufacturing machinery  
8 and equipment that qualifies for the exemption provided by  
9 paragraph (18) of Section 3-5 of this Act earns a credit in an  
10 amount equal to a fixed percentage of the tax which would have  
11 been incurred under this Act on those purchases. For purchases  
12 of graphic arts machinery and equipment made on or after July  
13 1, 1996 and through June 30, 2003, and on and after September  
14 1, 2004 ~~through August 30, 2014~~, a purchaser of graphic arts  
15 machinery and equipment that qualifies for the exemption  
16 provided by paragraph (6) or (18) of Section 3-5 of this Act  
17 earns a credit in an amount equal to a fixed percentage of the  
18 tax that would have been incurred under this Act on those  
19 purchases. The credit earned for purchases of manufacturing  
20 machinery and equipment or graphic arts machinery and equipment  
21 shall be referred to as the Manufacturer's Purchase Credit. A  
22 graphic arts producer is a person engaged in graphic arts  
23 production as defined in Section 2-30 of the Retailers'  
24 Occupation Tax Act. Beginning July 1, 1996, all references in  
25 this Section to manufacturers or manufacturing shall also be

1 deemed to refer to graphic arts producers or graphic arts  
2 production. It is the intent of the General Assembly that the  
3 Manufacturer's Purchase Credit for purchases of graphic arts  
4 machinery and equipment applies permanently on and after  
5 September 1, 2004.

6 The amount of credit shall be a percentage of the tax that  
7 would have been incurred on the purchase of manufacturing  
8 machinery and equipment or graphic arts machinery and equipment  
9 if the exemptions provided by paragraph (6) or paragraph (18)  
10 of Section 3-5 of this Act had not been applicable. The  
11 percentage shall be as follows:

12 (1) 15% for purchases made on or before June 30, 1995.

13 (2) 25% for purchases made after June 30, 1995, and on  
14 or before June 30, 1996.

15 (3) 40% for purchases made after June 30, 1996, and on  
16 or before June 30, 1997.

17 (4) 50% for purchases made on or after July 1, 1997.

18 (a) Manufacturer's Purchase Credit earned prior to July 1,  
19 2003. This subsection (a) applies to Manufacturer's Purchase  
20 Credit earned prior to July 1, 2003. A purchaser of production  
21 related tangible personal property desiring to use the  
22 Manufacturer's Purchase Credit shall certify to the seller  
23 prior to October 1, 2003 that the purchaser is satisfying all  
24 or part of the liability under the Use Tax Act or the Service  
25 Use Tax Act that is due on the purchase of the production  
26 related tangible personal property by use of Manufacturer's

1 Purchase Credit. The Manufacturer's Purchase Credit  
2 certification must be dated and shall include the name and  
3 address of the purchaser, the purchaser's registration number,  
4 if registered, the credit being applied, and a statement that  
5 the State Use Tax or Service Use Tax liability is being  
6 satisfied with the manufacturer's or graphic arts producer's  
7 accumulated purchase credit. Certification may be incorporated  
8 into the manufacturer's or graphic arts producer's purchase  
9 order. Manufacturer's Purchase Credit certification provided  
10 by the manufacturer or graphic arts producer prior to October  
11 1, 2003 may be used to satisfy the retailer's or serviceman's  
12 liability under the Retailers' Occupation Tax Act or Service  
13 Occupation Tax Act for the credit claimed, not to exceed 6.25%  
14 of the receipts subject to tax from a qualifying purchase, but  
15 only if the retailer or serviceman reports the Manufacturer's  
16 Purchase Credit claimed as required by the Department. A  
17 Manufacturer's Purchase Credit reported on any original or  
18 amended return filed under this Act after October 20, 2003  
19 shall be disallowed. The Manufacturer's Purchase Credit earned  
20 by purchase of exempt manufacturing machinery and equipment or  
21 graphic arts machinery and equipment is a non-transferable  
22 credit. A manufacturer or graphic arts producer that enters  
23 into a contract involving the installation of tangible personal  
24 property into real estate within a manufacturing or graphic  
25 arts production facility may, prior to October 1, 2003,  
26 authorize a construction contractor to utilize credit

1 accumulated by the manufacturer or graphic arts producer to  
2 purchase the tangible personal property. A manufacturer or  
3 graphic arts producer intending to use accumulated credit to  
4 purchase such tangible personal property shall execute a  
5 written contract authorizing the contractor to utilize a  
6 specified dollar amount of credit. The contractor shall  
7 furnish, prior to October 1, 2003, the supplier with the  
8 manufacturer's or graphic arts producer's name, registration  
9 or resale number, and a statement that a specific amount of the  
10 Use Tax or Service Use Tax liability, not to exceed 6.25% of  
11 the selling price, is being satisfied with the credit. The  
12 manufacturer or graphic arts producer shall remain liable to  
13 timely report all information required by the annual Report of  
14 Manufacturer's Purchase Credit Used for all credit utilized by  
15 a construction contractor.

16 No Manufacturer's Purchase Credit earned prior to July 1,  
17 2003 may be used after October 1, 2003. The Manufacturer's  
18 Purchase Credit may be used to satisfy liability under the Use  
19 Tax Act or the Service Use Tax Act due on the purchase of  
20 production related tangible personal property (including  
21 purchases by a manufacturer, by a graphic arts producer, or by  
22 a lessor who rents or leases the use of the property to a  
23 manufacturer or graphic arts producer) that does not otherwise  
24 qualify for the manufacturing machinery and equipment  
25 exemption or the graphic arts machinery and equipment  
26 exemption. "Production related tangible personal property"

1 means (i) all tangible personal property used or consumed by  
2 the purchaser in a manufacturing facility in which a  
3 manufacturing process described in Section 2-45 of the  
4 Retailers' Occupation Tax Act takes place, including tangible  
5 personal property purchased for incorporation into real estate  
6 within a manufacturing facility and including, but not limited  
7 to, tangible personal property used or consumed in activities  
8 such as preproduction material handling, receiving, quality  
9 control, inventory control, storage, staging, and packaging  
10 for shipping and transportation purposes; (ii) all tangible  
11 personal property used or consumed by the purchaser in a  
12 graphic arts facility in which graphic arts production as  
13 described in Section 2-30 of the Retailers' Occupation Tax Act  
14 takes place, including tangible personal property purchased  
15 for incorporation into real estate within a graphic arts  
16 facility and including, but not limited to, all tangible  
17 personal property used or consumed in activities such as  
18 graphic arts preliminary or pre-press production,  
19 pre-production material handling, receiving, quality control,  
20 inventory control, storage, staging, sorting, labeling,  
21 mailing, tying, wrapping, and packaging; and (iii) all tangible  
22 personal property used or consumed by the purchaser for  
23 research and development. "Production related tangible  
24 personal property" does not include (i) tangible personal  
25 property used, within or without a manufacturing facility, in  
26 sales, purchasing, accounting, fiscal management, marketing,

1 personnel recruitment or selection, or landscaping or (ii)  
2 tangible personal property required to be titled or registered  
3 with a department, agency, or unit of federal, state, or local  
4 government. The Manufacturer's Purchase Credit may be used,  
5 prior to October 1, 2003, to satisfy the tax arising either  
6 from the purchase of machinery and equipment on or after  
7 January 1, 1995 for which the exemption provided by paragraph  
8 (18) of Section 3-5 of this Act was erroneously claimed, or the  
9 purchase of machinery and equipment on or after July 1, 1996  
10 for which the exemption provided by paragraph (6) of Section  
11 3-5 of this Act was erroneously claimed, but not in  
12 satisfaction of penalty, if any, and interest for failure to  
13 pay the tax when due. A purchaser of production related  
14 tangible personal property who is required to pay Illinois Use  
15 Tax or Service Use Tax on the purchase directly to the  
16 Department may, prior to October 1, 2003, utilize the  
17 Manufacturer's Purchase Credit in satisfaction of the tax  
18 arising from that purchase, but not in satisfaction of penalty  
19 and interest. A purchaser who uses the Manufacturer's Purchase  
20 Credit to purchase property which is later determined not to be  
21 production related tangible personal property may be liable for  
22 tax, penalty, and interest on the purchase of that property as  
23 of the date of purchase but shall be entitled to use the  
24 disallowed Manufacturer's Purchase Credit, so long as it has  
25 not expired and is used prior to October 1, 2003, on qualifying  
26 purchases of production related tangible personal property not

1 previously subject to credit usage. The Manufacturer's  
2 Purchase Credit earned by a manufacturer or graphic arts  
3 producer expires the last day of the second calendar year  
4 following the calendar year in which the credit arose. No  
5 Manufacturer's Purchase Credit may be used after September 30,  
6 2003 regardless of when that credit was earned.

7 A purchaser earning Manufacturer's Purchase Credit shall  
8 sign and file an annual Report of Manufacturer's Purchase  
9 Credit Earned for each calendar year no later than the last day  
10 of the sixth month following the calendar year in which a  
11 Manufacturer's Purchase Credit is earned. A Report of  
12 Manufacturer's Purchase Credit Earned shall be filed on forms  
13 as prescribed or approved by the Department and shall state,  
14 for each month of the calendar year: (i) the total purchase  
15 price of all purchases of exempt manufacturing or graphic arts  
16 machinery on which the credit was earned; (ii) the total State  
17 Use Tax or Service Use Tax which would have been due on those  
18 items; (iii) the percentage used to calculate the amount of  
19 credit earned; (iv) the amount of credit earned; and (v) such  
20 other information as the Department may reasonably require. A  
21 purchaser earning Manufacturer's Purchase Credit shall  
22 maintain records which identify, as to each purchase of  
23 manufacturing or graphic arts machinery and equipment on which  
24 the purchaser earned Manufacturer's Purchase Credit, the  
25 vendor (including, if applicable, either the vendor's  
26 registration number or Federal Employer Identification

1 Number), the purchase price, and the amount of Manufacturer's  
2 Purchase Credit earned on each purchase.

3 A purchaser using Manufacturer's Purchase Credit shall  
4 sign and file an annual Report of Manufacturer's Purchase  
5 Credit Used for each calendar year no later than the last day  
6 of the sixth month following the calendar year in which a  
7 Manufacturer's Purchase Credit is used. A Report of  
8 Manufacturer's Purchase Credit Used shall be filed on forms as  
9 prescribed or approved by the Department and shall state, for  
10 each month of the calendar year: (i) the total purchase price  
11 of production related tangible personal property purchased  
12 from Illinois suppliers; (ii) the total purchase price of  
13 production related tangible personal property purchased from  
14 out-of-state suppliers; (iii) the total amount of credit used  
15 during such month; and (iv) such other information as the  
16 Department may reasonably require. A purchaser using  
17 Manufacturer's Purchase Credit shall maintain records that  
18 identify, as to each purchase of production related tangible  
19 personal property on which the purchaser used Manufacturer's  
20 Purchase Credit, the vendor (including, if applicable, either  
21 the vendor's registration number or Federal Employer  
22 Identification Number), the purchase price, and the amount of  
23 Manufacturer's Purchase Credit used on each purchase.

24 No annual report shall be filed before May 1, 1996 or after  
25 June 30, 2004. A purchaser that fails to file an annual Report  
26 of Manufacturer's Purchase Credit Earned or an annual Report of

1 Manufacturer's Purchase Credit Used by the last day of the  
2 sixth month following the end of the calendar year shall  
3 forfeit all Manufacturer's Purchase Credit for that calendar  
4 year unless it establishes that its failure to file was due to  
5 reasonable cause. Manufacturer's Purchase Credit reports may  
6 be amended to report and claim credit on qualifying purchases  
7 not previously reported at any time before the credit would  
8 have expired, unless both the Department and the purchaser have  
9 agreed to an extension of the statute of limitations for the  
10 issuance of a notice of tax liability as provided in Section 4  
11 of the Retailers' Occupation Tax Act. If the time for  
12 assessment or refund has been extended, then amended reports  
13 for a calendar year may be filed at any time prior to the date  
14 to which the statute of limitations for the calendar year or  
15 portion thereof has been extended. No Manufacturer's Purchase  
16 Credit report filed with the Department for periods prior to  
17 January 1, 1995 shall be approved. Manufacturer's Purchase  
18 Credit claimed on an amended report may be used, until October  
19 1, 2003, to satisfy tax liability under the Use Tax Act or the  
20 Service Use Tax Act (i) on qualifying purchases of production  
21 related tangible personal property made after the date the  
22 amended report is filed or (ii) assessed by the Department on  
23 qualifying purchases of production related tangible personal  
24 property made in the case of manufacturers on or after January  
25 1, 1995, or in the case of graphic arts producers on or after  
26 July 1, 1996.

1           If the purchaser is not the manufacturer or a graphic arts  
2 producer, but rents or leases the use of the property to a  
3 manufacturer or graphic arts producer, the purchaser may earn,  
4 report, and use Manufacturer's Purchase Credit in the same  
5 manner as a manufacturer or graphic arts producer.

6           A purchaser shall not be entitled to any Manufacturer's  
7 Purchase Credit for a purchase that is required to be reported  
8 and is not timely reported as provided in this Section. A  
9 purchaser remains liable for (i) any tax that was satisfied by  
10 use of a Manufacturer's Purchase Credit, as of the date of  
11 purchase, if that use is not timely reported as required in  
12 this Section and (ii) for any applicable penalties and interest  
13 for failing to pay the tax when due. No Manufacturer's Purchase  
14 Credit may be used after September 30, 2003 to satisfy any tax  
15 liability imposed under this Act, including any audit  
16 liability.

17           (b) Manufacturer's Purchase Credit earned on and after  
18 September 1, 2004. This subsection (b) applies to  
19 Manufacturer's Purchase Credit earned on and after September 1,  
20 2004. Manufacturer's Purchase Credit earned on or after  
21 September 1, 2004 may only be used to satisfy the Use Tax or  
22 Service Use Tax liability incurred on production related  
23 tangible personal property purchased on or after September 1,  
24 2004. A purchaser of production related tangible personal  
25 property desiring to use the Manufacturer's Purchase Credit  
26 shall certify to the seller that the purchaser is satisfying

1 all or part of the liability under the Use Tax Act or the  
2 Service Use Tax Act that is due on the purchase of the  
3 production related tangible personal property by use of  
4 Manufacturer's Purchase Credit. The Manufacturer's Purchase  
5 Credit certification must be dated and shall include the name  
6 and address of the purchaser, the purchaser's registration  
7 number, if registered, the credit being applied, and a  
8 statement that the State Use Tax or Service Use Tax liability  
9 is being satisfied with the manufacturer's or graphic arts  
10 producer's accumulated purchase credit. Certification may be  
11 incorporated into the manufacturer's or graphic arts  
12 producer's purchase order. Manufacturer's Purchase Credit  
13 certification provided by the manufacturer or graphic arts  
14 producer may be used to satisfy the retailer's or serviceman's  
15 liability under the Retailers' Occupation Tax Act or Service  
16 Occupation Tax Act for the credit claimed, not to exceed 6.25%  
17 of the receipts subject to tax from a qualifying purchase, but  
18 only if the retailer or serviceman reports the Manufacturer's  
19 Purchase Credit claimed as required by the Department. The  
20 Manufacturer's Purchase Credit earned by purchase of exempt  
21 manufacturing machinery and equipment or graphic arts  
22 machinery and equipment is a non-transferable credit. A  
23 manufacturer or graphic arts producer that enters into a  
24 contract involving the installation of tangible personal  
25 property into real estate within a manufacturing or graphic  
26 arts production facility may, on or after September 1, 2004,

1 authorize a construction contractor to utilize credit  
2 accumulated by the manufacturer or graphic arts producer to  
3 purchase the tangible personal property. A manufacturer or  
4 graphic arts producer intending to use accumulated credit to  
5 purchase such tangible personal property shall execute a  
6 written contract authorizing the contractor to utilize a  
7 specified dollar amount of credit. The contractor shall furnish  
8 the supplier with the manufacturer's or graphic arts producer's  
9 name, registration or resale number, and a statement that a  
10 specific amount of the Use Tax or Service Use Tax liability,  
11 not to exceed 6.25% of the selling price, is being satisfied  
12 with the credit. The manufacturer or graphic arts producer  
13 shall remain liable to timely report all information required  
14 by the annual Report of Manufacturer's Purchase Credit Used for  
15 all credit utilized by a construction contractor.

16 The Manufacturer's Purchase Credit may be used to satisfy  
17 liability under the Use Tax Act or the Service Use Tax Act due  
18 on the purchase, made on or after September 1, 2004, of  
19 production related tangible personal property (including  
20 purchases by a manufacturer, by a graphic arts producer, or by  
21 a lessor who rents or leases the use of the property to a  
22 manufacturer or graphic arts producer) that does not otherwise  
23 qualify for the manufacturing machinery and equipment  
24 exemption or the graphic arts machinery and equipment  
25 exemption. "Production related tangible personal property"  
26 means (i) all tangible personal property used or consumed by

1 the purchaser in a manufacturing facility in which a  
2 manufacturing process described in Section 2-45 of the  
3 Retailers' Occupation Tax Act takes place, including tangible  
4 personal property purchased for incorporation into real estate  
5 within a manufacturing facility and including, but not limited  
6 to, tangible personal property used or consumed in activities  
7 such as preproduction material handling, receiving, quality  
8 control, inventory control, storage, staging, and packaging  
9 for shipping and transportation purposes; (ii) all tangible  
10 personal property used or consumed by the purchaser in a  
11 graphic arts facility in which graphic arts production as  
12 described in Section 2-30 of the Retailers' Occupation Tax Act  
13 takes place, including tangible personal property purchased  
14 for incorporation into real estate within a graphic arts  
15 facility and including, but not limited to, all tangible  
16 personal property used or consumed in activities such as  
17 graphic arts preliminary or pre-press production,  
18 pre-production material handling, receiving, quality control,  
19 inventory control, storage, staging, sorting, labeling,  
20 mailing, tying, wrapping, and packaging; and (iii) all tangible  
21 personal property used or consumed by the purchaser for  
22 research and development. "Production related tangible  
23 personal property" does not include (i) tangible personal  
24 property used, within or without a manufacturing facility, in  
25 sales, purchasing, accounting, fiscal management, marketing,  
26 personnel recruitment or selection, or landscaping or (ii)

1 tangible personal property required to be titled or registered  
2 with a department, agency, or unit of federal, state, or local  
3 government. The Manufacturer's Purchase Credit may be used to  
4 satisfy the tax arising either from the purchase of machinery  
5 and equipment on or after September 1, 2004 for which the  
6 exemption provided by paragraph (18) of Section 3-5 of this Act  
7 was erroneously claimed, or the purchase of machinery and  
8 equipment on or after September 1, 2004 for which the exemption  
9 provided by paragraph (6) of Section 3-5 of this Act was  
10 erroneously claimed, but not in satisfaction of penalty, if  
11 any, and interest for failure to pay the tax when due. A  
12 purchaser of production related tangible personal property  
13 that is purchased on or after September 1, 2004 who is required  
14 to pay Illinois Use Tax or Service Use Tax on the purchase  
15 directly to the Department may utilize the Manufacturer's  
16 Purchase Credit in satisfaction of the tax arising from that  
17 purchase, but not in satisfaction of penalty and interest. A  
18 purchaser who uses the Manufacturer's Purchase Credit to  
19 purchase property on and after September 1, 2004 which is later  
20 determined not to be production related tangible personal  
21 property may be liable for tax, penalty, and interest on the  
22 purchase of that property as of the date of purchase but shall  
23 be entitled to use the disallowed Manufacturer's Purchase  
24 Credit, so long as it has not expired and is used on qualifying  
25 purchases of production related tangible personal property not  
26 previously subject to credit usage. The Manufacturer's

1 Purchase Credit earned by a manufacturer or graphic arts  
2 producer expires the last day of the second calendar year  
3 following the calendar year in which the credit arose. A  
4 purchaser earning Manufacturer's Purchase Credit shall sign  
5 and file an annual Report of Manufacturer's Purchase Credit  
6 Earned for each calendar year no later than the last day of the  
7 sixth month following the calendar year in which a  
8 Manufacturer's Purchase Credit is earned. A Report of  
9 Manufacturer's Purchase Credit Earned shall be filed on forms  
10 as prescribed or approved by the Department and shall state,  
11 for each month of the calendar year: (i) the total purchase  
12 price of all purchases of exempt manufacturing or graphic arts  
13 machinery on which the credit was earned; (ii) the total State  
14 Use Tax or Service Use Tax which would have been due on those  
15 items; (iii) the percentage used to calculate the amount of  
16 credit earned; (iv) the amount of credit earned; and (v) such  
17 other information as the Department may reasonably require. A  
18 purchaser earning Manufacturer's Purchase Credit shall  
19 maintain records which identify, as to each purchase of  
20 manufacturing or graphic arts machinery and equipment on which  
21 the purchaser earned Manufacturer's Purchase Credit, the  
22 vendor (including, if applicable, either the vendor's  
23 registration number or Federal Employer Identification  
24 Number), the purchase price, and the amount of Manufacturer's  
25 Purchase Credit earned on each purchase. A purchaser using  
26 Manufacturer's Purchase Credit shall sign and file an annual

1 Report of Manufacturer's Purchase Credit Used for each calendar  
2 year no later than the last day of the sixth month following  
3 the calendar year in which a Manufacturer's Purchase Credit is  
4 used. A Report of Manufacturer's Purchase Credit Used shall be  
5 filed on forms as prescribed or approved by the Department and  
6 shall state, for each month of the calendar year: (i) the total  
7 purchase price of production related tangible personal  
8 property purchased from Illinois suppliers; (ii) the total  
9 purchase price of production related tangible personal  
10 property purchased from out-of-state suppliers; (iii) the  
11 total amount of credit used during such month; and (iv) such  
12 other information as the Department may reasonably require. A  
13 purchaser using Manufacturer's Purchase Credit shall maintain  
14 records that identify, as to each purchase of production  
15 related tangible personal property on which the purchaser used  
16 Manufacturer's Purchase Credit, the vendor (including, if  
17 applicable, either the vendor's registration number or Federal  
18 Employer Identification Number), the purchase price, and the  
19 amount of Manufacturer's Purchase Credit used on each purchase.

20 A purchaser that fails to file an annual Report of  
21 Manufacturer's Purchase Credit Earned or an annual Report of  
22 Manufacturer's Purchase Credit Used by the last day of the  
23 sixth month following the end of the calendar year shall  
24 forfeit all Manufacturer's Purchase Credit for that calendar  
25 year unless it establishes that its failure to file was due to  
26 reasonable cause. Manufacturer's Purchase Credit reports may

1 be amended to report and claim credit on qualifying purchases  
2 not previously reported at any time before the credit would  
3 have expired, unless both the Department and the purchaser have  
4 agreed to an extension of the statute of limitations for the  
5 issuance of a notice of tax liability as provided in Section 4  
6 of the Retailers' Occupation Tax Act. If the time for  
7 assessment or refund has been extended, then amended reports  
8 for a calendar year may be filed at any time prior to the date  
9 to which the statute of limitations for the calendar year or  
10 portion thereof has been extended. Manufacturer's Purchase  
11 Credit claimed on an amended report may be used to satisfy tax  
12 liability under the Use Tax Act or the Service Use Tax Act (i)  
13 on qualifying purchases of production related tangible  
14 personal property made after the date the amended report is  
15 filed or (ii) assessed by the Department on qualifying  
16 production related tangible personal property purchased on or  
17 after September 1, 2004. If the purchaser is not the  
18 manufacturer or a graphic arts producer, but rents or leases  
19 the use of the property to a manufacturer or graphic arts  
20 producer, the purchaser may earn, report, and use  
21 Manufacturer's Purchase Credit in the same manner as a  
22 manufacturer or graphic arts producer. A purchaser shall not be  
23 entitled to any Manufacturer's Purchase Credit for a purchase  
24 that is required to be reported and is not timely reported as  
25 provided in this Section. A purchaser remains liable for (i)  
26 any tax that was satisfied by use of a Manufacturer's Purchase

1 Credit, as of the date of purchase, if that use is not timely  
2 reported as required in this Section and (ii) for any  
3 applicable penalties and interest for failing to pay the tax  
4 when due.

5 (Source: P.A. 96-116, eff. 7-31-09.)

6 Section 10. The Service Use Tax Act is amended by changing  
7 Sections 2, 3-5, and 3-70 as follows:

8 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

9 Sec. 2. Definitions.

10 "Use" means the exercise by any person of any right or  
11 power over tangible personal property incident to the ownership  
12 of that property, but does not include the sale or use for  
13 demonstration by him of that property in any form as tangible  
14 personal property in the regular course of business. "Use" does  
15 not mean the interim use of tangible personal property nor the  
16 physical incorporation of tangible personal property, as an  
17 ingredient or constituent, into other tangible personal  
18 property, (a) which is sold in the regular course of business  
19 or (b) which the person incorporating such ingredient or  
20 constituent therein has undertaken at the time of such purchase  
21 to cause to be transported in interstate commerce to  
22 destinations outside the State of Illinois.

23 "Purchased from a serviceman" means the acquisition of the  
24 ownership of, or title to, tangible personal property through a

1 sale of service.

2 "Purchaser" means any person who, through a sale of  
3 service, acquires the ownership of, or title to, any tangible  
4 personal property.

5 "Cost price" means the consideration paid by the serviceman  
6 for a purchase valued in money, whether paid in money or  
7 otherwise, including cash, credits and services, and shall be  
8 determined without any deduction on account of the supplier's  
9 cost of the property sold or on account of any other expense  
10 incurred by the supplier. When a serviceman contracts out part  
11 or all of the services required in his sale of service, it  
12 shall be presumed that the cost price to the serviceman of the  
13 property transferred to him or her by his or her subcontractor  
14 is equal to 50% of the subcontractor's charges to the  
15 serviceman in the absence of proof of the consideration paid by  
16 the subcontractor for the purchase of such property.

17 "Selling price" means the consideration for a sale valued  
18 in money whether received in money or otherwise, including  
19 cash, credits and service, and shall be determined without any  
20 deduction on account of the serviceman's cost of the property  
21 sold, the cost of materials used, labor or service cost or any  
22 other expense whatsoever, but does not include interest or  
23 finance charges which appear as separate items on the bill of  
24 sale or sales contract nor charges that are added to prices by  
25 sellers on account of the seller's duty to collect, from the  
26 purchaser, the tax that is imposed by this Act.

1 "Department" means the Department of Revenue.

2 "Person" means any natural individual, firm, partnership,  
3 association, joint stock company, joint venture, public or  
4 private corporation, limited liability company, and any  
5 receiver, executor, trustee, guardian or other representative  
6 appointed by order of any court.

7 "Sale of service" means any transaction except:

8 (1) a retail sale of tangible personal property taxable  
9 under the Retailers' Occupation Tax Act or under the Use  
10 Tax Act.

11 (2) a sale of tangible personal property for the  
12 purpose of resale made in compliance with Section 2c of the  
13 Retailers' Occupation Tax Act.

14 (3) except as hereinafter provided, a sale or transfer  
15 of tangible personal property as an incident to the  
16 rendering of service for or by any governmental body, or  
17 for or by any corporation, society, association,  
18 foundation or institution organized and operated  
19 exclusively for charitable, religious or educational  
20 purposes or any not-for-profit corporation, society,  
21 association, foundation, institution or organization which  
22 has no compensated officers or employees and which is  
23 organized and operated primarily for the recreation of  
24 persons 55 years of age or older. A limited liability  
25 company may qualify for the exemption under this paragraph  
26 only if the limited liability company is organized and

1 operated exclusively for educational purposes.

2 (4) a sale or transfer of tangible personal property as  
3 an incident to the rendering of service for interstate  
4 carriers for hire for use as rolling stock moving in  
5 interstate commerce or by lessors under a lease of one year  
6 or longer, executed or in effect at the time of purchase of  
7 personal property, to interstate carriers for hire for use  
8 as rolling stock moving in interstate commerce so long as  
9 so used by such interstate carriers for hire, and equipment  
10 operated by a telecommunications provider, licensed as a  
11 common carrier by the Federal Communications Commission,  
12 which is permanently installed in or affixed to aircraft  
13 moving in interstate commerce.

14 (4a) a sale or transfer of tangible personal property  
15 as an incident to the rendering of service for owners,  
16 lessors, or shippers of tangible personal property which is  
17 utilized by interstate carriers for hire for use as rolling  
18 stock moving in interstate commerce so long as so used by  
19 interstate carriers for hire, and equipment operated by a  
20 telecommunications provider, licensed as a common carrier  
21 by the Federal Communications Commission, which is  
22 permanently installed in or affixed to aircraft moving in  
23 interstate commerce.

24 (4a-5) on and after July 1, 2003 and through June 30,  
25 2004, a sale or transfer of a motor vehicle of the second  
26 division with a gross vehicle weight in excess of 8,000

1 pounds as an incident to the rendering of service if that  
2 motor vehicle is subject to the commercial distribution fee  
3 imposed under Section 3-815.1 of the Illinois Vehicle Code.  
4 Beginning on July 1, 2004 and through June 30, 2005, the  
5 use in this State of motor vehicles of the second division:  
6 (i) with a gross vehicle weight rating in excess of 8,000  
7 pounds; (ii) that are subject to the commercial  
8 distribution fee imposed under Section 3-815.1 of the  
9 Illinois Vehicle Code; and (iii) that are primarily used  
10 for commercial purposes. Through June 30, 2005, this  
11 exemption applies to repair and replacement parts added  
12 after the initial purchase of such a motor vehicle if that  
13 motor vehicle is used in a manner that would qualify for  
14 the rolling stock exemption otherwise provided for in this  
15 Act. For purposes of this paragraph, "used for commercial  
16 purposes" means the transportation of persons or property  
17 in furtherance of any commercial or industrial enterprise  
18 whether for-hire or not.

19 (5) a sale or transfer of machinery and equipment used  
20 primarily in the process of the manufacturing or  
21 assembling, either in an existing, an expanded or a new  
22 manufacturing facility, of tangible personal property for  
23 wholesale or retail sale or lease, whether such sale or  
24 lease is made directly by the manufacturer or by some other  
25 person, whether the materials used in the process are owned  
26 by the manufacturer or some other person, or whether such

1 sale or lease is made apart from or as an incident to the  
2 seller's engaging in a service occupation and the  
3 applicable tax is a Service Use Tax or Service Occupation  
4 Tax, rather than Use Tax or Retailers' Occupation Tax. The  
5 exemption provided by this paragraph (5) does not include  
6 machinery and equipment used in (i) the generation of  
7 electricity for wholesale or retail sale; (ii) the  
8 generation or treatment of natural or artificial gas for  
9 wholesale or retail sale that is delivered to customers  
10 through pipes, pipelines, or mains; or (iii) the treatment  
11 of water for wholesale or retail sale that is delivered to  
12 customers through pipes, pipelines, or mains. The  
13 provisions of this amendatory Act of the 98th General  
14 Assembly are declaratory of existing law as to the meaning  
15 and scope of this exemption. The exemption under this  
16 paragraph (5) is exempt from the provisions of Section  
17 3-75.

18 (5a) the repairing, reconditioning or remodeling, for  
19 a common carrier by rail, of tangible personal property  
20 which belongs to such carrier for hire, and as to which  
21 such carrier receives the physical possession of the  
22 repaired, reconditioned or remodeled item of tangible  
23 personal property in Illinois, and which such carrier  
24 transports, or shares with another common carrier in the  
25 transportation of such property, out of Illinois on a  
26 standard uniform bill of lading showing the person who

1 repaired, reconditioned or remodeled the property to a  
2 destination outside Illinois, for use outside Illinois.

3 (5b) a sale or transfer of tangible personal property  
4 which is produced by the seller thereof on special order in  
5 such a way as to have made the applicable tax the Service  
6 Occupation Tax or the Service Use Tax, rather than the  
7 Retailers' Occupation Tax or the Use Tax, for an interstate  
8 carrier by rail which receives the physical possession of  
9 such property in Illinois, and which transports such  
10 property, or shares with another common carrier in the  
11 transportation of such property, out of Illinois on a  
12 standard uniform bill of lading showing the seller of the  
13 property as the shipper or consignor of such property to a  
14 destination outside Illinois, for use outside Illinois.

15 (6) until July 1, 2003, a sale or transfer of  
16 distillation machinery and equipment, sold as a unit or kit  
17 and assembled or installed by the retailer, which machinery  
18 and equipment is certified by the user to be used only for  
19 the production of ethyl alcohol that will be used for  
20 consumption as motor fuel or as a component of motor fuel  
21 for the personal use of such user and not subject to sale  
22 or resale.

23 (7) at the election of any serviceman not required to  
24 be otherwise registered as a retailer under Section 2a of  
25 the Retailers' Occupation Tax Act, made for each fiscal  
26 year sales of service in which the aggregate annual cost

1 price of tangible personal property transferred as an  
2 incident to the sales of service is less than 35%, or 75%  
3 in the case of servicemen transferring prescription drugs  
4 or servicemen engaged in graphic arts production, of the  
5 aggregate annual total gross receipts from all sales of  
6 service. The purchase of such tangible personal property by  
7 the serviceman shall be subject to tax under the Retailers'  
8 Occupation Tax Act and the Use Tax Act. However, if a  
9 primary serviceman who has made the election described in  
10 this paragraph subcontracts service work to a secondary  
11 serviceman who has also made the election described in this  
12 paragraph, the primary serviceman does not incur a Use Tax  
13 liability if the secondary serviceman (i) has paid or will  
14 pay Use Tax on his or her cost price of any tangible  
15 personal property transferred to the primary serviceman  
16 and (ii) certifies that fact in writing to the primary  
17 serviceman.

18 Tangible personal property transferred incident to the  
19 completion of a maintenance agreement is exempt from the tax  
20 imposed pursuant to this Act.

21 Exemption (5) also includes machinery and equipment used in  
22 the general maintenance or repair of such exempt machinery and  
23 equipment or for in-house manufacture of exempt machinery and  
24 equipment. On and after August 31, 2014, exemption (5) also  
25 includes graphic arts machinery and equipment, as defined in  
26 paragraph (5) of Section 3-5. The machinery and equipment

1 exemption does not include machinery and equipment used in (i)  
2 the generation of electricity for wholesale or retail sale;  
3 (ii) the generation or treatment of natural or artificial gas  
4 for wholesale or retail sale that is delivered to customers  
5 through pipes, pipelines, or mains; or (iii) the treatment of  
6 water for wholesale or retail sale that is delivered to  
7 customers through pipes, pipelines, or mains. The provisions of  
8 this amendatory Act of the 98th General Assembly are  
9 declaratory of existing law as to the meaning and scope of this  
10 exemption. For the purposes of exemption (5), each of these  
11 terms shall have the following meanings: (1) "manufacturing  
12 process" shall mean the production of any article of tangible  
13 personal property, whether such article is a finished product  
14 or an article for use in the process of manufacturing or  
15 assembling a different article of tangible personal property,  
16 by procedures commonly regarded as manufacturing, processing,  
17 fabricating, or refining which changes some existing material  
18 or materials into a material with a different form, use or  
19 name. In relation to a recognized integrated business composed  
20 of a series of operations which collectively constitute  
21 manufacturing, or individually constitute manufacturing  
22 operations, the manufacturing process shall be deemed to  
23 commence with the first operation or stage of production in the  
24 series, and shall not be deemed to end until the completion of  
25 the final product in the last operation or stage of production  
26 in the series; and further, for purposes of exemption (5),

1 photoprocessing is deemed to be a manufacturing process of  
2 tangible personal property for wholesale or retail sale; (2)  
3 "assembling process" shall mean the production of any article  
4 of tangible personal property, whether such article is a  
5 finished product or an article for use in the process of  
6 manufacturing or assembling a different article of tangible  
7 personal property, by the combination of existing materials in  
8 a manner commonly regarded as assembling which results in a  
9 material of a different form, use or name; (3) "machinery"  
10 shall mean major mechanical machines or major components of  
11 such machines contributing to a manufacturing or assembling  
12 process; and (4) "equipment" shall include any independent  
13 device or tool separate from any machinery but essential to an  
14 integrated manufacturing or assembly process; including  
15 computers used primarily in a manufacturer's computer assisted  
16 design, computer assisted manufacturing (CAD/CAM) system; or  
17 any subunit or assembly comprising a component of any machinery  
18 or auxiliary, adjunct or attachment parts of machinery, such as  
19 tools, dies, jigs, fixtures, patterns and molds; or any parts  
20 which require periodic replacement in the course of normal  
21 operation; but shall not include hand tools. Equipment includes  
22 chemicals or chemicals acting as catalysts but only if the  
23 chemicals or chemicals acting as catalysts effect a direct and  
24 immediate change upon a product being manufactured or assembled  
25 for wholesale or retail sale or lease. The purchaser of such  
26 machinery and equipment who has an active resale registration

1 number shall furnish such number to the seller at the time of  
2 purchase. The user of such machinery and equipment and tools  
3 without an active resale registration number shall prepare a  
4 certificate of exemption for each transaction stating facts  
5 establishing the exemption for that transaction, which  
6 certificate shall be available to the Department for inspection  
7 or audit. The Department shall prescribe the form of the  
8 certificate.

9 Any informal rulings, opinions or letters issued by the  
10 Department in response to an inquiry or request for any opinion  
11 from any person regarding the coverage and applicability of  
12 exemption (5) to specific devices shall be published,  
13 maintained as a public record, and made available for public  
14 inspection and copying. If the informal ruling, opinion or  
15 letter contains trade secrets or other confidential  
16 information, where possible the Department shall delete such  
17 information prior to publication. Whenever such informal  
18 rulings, opinions, or letters contain any policy of general  
19 applicability, the Department shall formulate and adopt such  
20 policy as a rule in accordance with the provisions of the  
21 Illinois Administrative Procedure Act.

22 On and after July 1, 1987, no entity otherwise eligible  
23 under exemption (3) of this Section shall make tax free  
24 purchases unless it has an active exemption identification  
25 number issued by the Department.

26 The purchase, employment and transfer of such tangible

1 personal property as newsprint and ink for the primary purpose  
2 of conveying news (with or without other information) is not a  
3 purchase, use or sale of service or of tangible personal  
4 property within the meaning of this Act.

5 "Serviceman" means any person who is engaged in the  
6 occupation of making sales of service.

7 "Sale at retail" means "sale at retail" as defined in the  
8 Retailers' Occupation Tax Act.

9 "Supplier" means any person who makes sales of tangible  
10 personal property to servicemen for the purpose of resale as an  
11 incident to a sale of service.

12 "Serviceman maintaining a place of business in this State",  
13 or any like term, means and includes any serviceman:

14 1. having or maintaining within this State, directly or  
15 by a subsidiary, an office, distribution house, sales  
16 house, warehouse or other place of business, or any agent  
17 or other representative operating within this State under  
18 the authority of the serviceman or its subsidiary,  
19 irrespective of whether such place of business or agent or  
20 other representative is located here permanently or  
21 temporarily, or whether such serviceman or subsidiary is  
22 licensed to do business in this State;

23 1.1. having a contract with a person located in this  
24 State under which the person, for a commission or other  
25 consideration based on the sale of service by the  
26 serviceman, directly or indirectly refers potential

1 customers to the serviceman by providing to the potential  
2 customers a promotional code or other mechanism that allows  
3 the serviceman to track purchases referred by such persons.  
4 Examples of mechanisms that allow the serviceman to track  
5 purchases referred by such persons include but are not  
6 limited to the use of a link on the person's Internet  
7 website, promotional codes distributed through the  
8 person's hand-delivered or mailed material, and  
9 promotional codes distributed by the person through radio  
10 or other broadcast media. The provisions of this paragraph  
11 1.1 shall apply only if the cumulative gross receipts from  
12 sales of service by the serviceman to customers who are  
13 referred to the serviceman by all persons in this State  
14 under such contracts exceed \$10,000 during the preceding 4  
15 quarterly periods ending on the last day of March, June,  
16 September, and December; a serviceman meeting the  
17 requirements of this paragraph 1.1 shall be presumed to be  
18 maintaining a place of business in this State but may rebut  
19 this presumption by submitting proof that the referrals or  
20 other activities pursued within this State by such persons  
21 were not sufficient to meet the nexus standards of the  
22 United States Constitution during the preceding 4  
23 quarterly periods;

24 1.2. beginning July 1, 2011, having a contract with a  
25 person located in this State under which:

26 A. the serviceman sells the same or substantially

1 similar line of services as the person located in this  
2 State and does so using an identical or substantially  
3 similar name, trade name, or trademark as the person  
4 located in this State; and

5 B. the serviceman provides a commission or other  
6 consideration to the person located in this State based  
7 upon the sale of services by the serviceman.

8 The provisions of this paragraph 1.2 shall apply only if  
9 the cumulative gross receipts from sales of service by the  
10 serviceman to customers in this State under all such  
11 contracts exceed \$10,000 during the preceding 4 quarterly  
12 periods ending on the last day of March, June, September,  
13 and December;

14 2. soliciting orders for tangible personal property by  
15 means of a telecommunication or television shopping system  
16 (which utilizes toll free numbers) which is intended by the  
17 retailer to be broadcast by cable television or other means  
18 of broadcasting, to consumers located in this State;

19 3. pursuant to a contract with a broadcaster or  
20 publisher located in this State, soliciting orders for  
21 tangible personal property by means of advertising which is  
22 disseminated primarily to consumers located in this State  
23 and only secondarily to bordering jurisdictions;

24 4. soliciting orders for tangible personal property by  
25 mail if the solicitations are substantial and recurring and  
26 if the retailer benefits from any banking, financing, debt

1 collection, telecommunication, or marketing activities  
2 occurring in this State or benefits from the location in  
3 this State of authorized installation, servicing, or  
4 repair facilities;

5 5. being owned or controlled by the same interests  
6 which own or control any retailer engaging in business in  
7 the same or similar line of business in this State;

8 6. having a franchisee or licensee operating under its  
9 trade name if the franchisee or licensee is required to  
10 collect the tax under this Section;

11 7. pursuant to a contract with a cable television  
12 operator located in this State, soliciting orders for  
13 tangible personal property by means of advertising which is  
14 transmitted or distributed over a cable television system  
15 in this State; or

16 8. engaging in activities in Illinois, which  
17 activities in the state in which the supply business  
18 engaging in such activities is located would constitute  
19 maintaining a place of business in that state.

20 (Source: P.A. 98-583, eff. 1-1-14; 98-1089, eff. 1-1-15.)

21 (35 ILCS 110/3-5)

22 Sec. 3-5. Exemptions. Use of the following tangible  
23 personal property is exempt from the tax imposed by this Act:

24 (1) Personal property purchased from a corporation,  
25 society, association, foundation, institution, or

1 organization, other than a limited liability company, that is  
2 organized and operated as a not-for-profit service enterprise  
3 for the benefit of persons 65 years of age or older if the  
4 personal property was not purchased by the enterprise for the  
5 purpose of resale by the enterprise.

6 (2) Personal property purchased by a non-profit Illinois  
7 county fair association for use in conducting, operating, or  
8 promoting the county fair.

9 (3) Personal property purchased by a not-for-profit arts or  
10 cultural organization that establishes, by proof required by  
11 the Department by rule, that it has received an exemption under  
12 Section 501(c)(3) of the Internal Revenue Code and that is  
13 organized and operated primarily for the presentation or  
14 support of arts or cultural programming, activities, or  
15 services. These organizations include, but are not limited to,  
16 music and dramatic arts organizations such as symphony  
17 orchestras and theatrical groups, arts and cultural service  
18 organizations, local arts councils, visual arts organizations,  
19 and media arts organizations. On and after the effective date  
20 of this amendatory Act of the 92nd General Assembly, however,  
21 an entity otherwise eligible for this exemption shall not make  
22 tax-free purchases unless it has an active identification  
23 number issued by the Department.

24 (4) Legal tender, currency, medallions, or gold or silver  
25 coinage issued by the State of Illinois, the government of the  
26 United States of America, or the government of any foreign

1 country, and bullion.

2 (5) Until July 1, 2003 and beginning again on September 1,  
3 2004 through August 30, 2014, graphic arts machinery and  
4 equipment, including repair and replacement parts, both new and  
5 used, and including that manufactured on special order or  
6 purchased for lease, certified by the purchaser to be used  
7 primarily for graphic arts production. Equipment includes  
8 chemicals or chemicals acting as catalysts but only if the  
9 chemicals or chemicals acting as catalysts effect a direct and  
10 immediate change upon a graphic arts product. Beginning on  
11 August 31, 2014, graphic arts machinery and equipment is  
12 included in the manufacturing and assembling machinery and  
13 equipment exemption under Section 2 of this Act.

14 (6) Personal property purchased from a teacher-sponsored  
15 student organization affiliated with an elementary or  
16 secondary school located in Illinois.

17 (7) Farm machinery and equipment, both new and used,  
18 including that manufactured on special order, certified by the  
19 purchaser to be used primarily for production agriculture or  
20 State or federal agricultural programs, including individual  
21 replacement parts for the machinery and equipment, including  
22 machinery and equipment purchased for lease, and including  
23 implements of husbandry defined in Section 1-130 of the  
24 Illinois Vehicle Code, farm machinery and agricultural  
25 chemical and fertilizer spreaders, and nurse wagons required to  
26 be registered under Section 3-809 of the Illinois Vehicle Code,

1 but excluding other motor vehicles required to be registered  
2 under the Illinois Vehicle Code. Horticultural polyhouses or  
3 hoop houses used for propagating, growing, or overwintering  
4 plants shall be considered farm machinery and equipment under  
5 this item (7). Agricultural chemical tender tanks and dry boxes  
6 shall include units sold separately from a motor vehicle  
7 required to be licensed and units sold mounted on a motor  
8 vehicle required to be licensed if the selling price of the  
9 tender is separately stated.

10 Farm machinery and equipment shall include precision  
11 farming equipment that is installed or purchased to be  
12 installed on farm machinery and equipment including, but not  
13 limited to, tractors, harvesters, sprayers, planters, seeders,  
14 or spreaders. Precision farming equipment includes, but is not  
15 limited to, soil testing sensors, computers, monitors,  
16 software, global positioning and mapping systems, and other  
17 such equipment.

18 Farm machinery and equipment also includes computers,  
19 sensors, software, and related equipment used primarily in the  
20 computer-assisted operation of production agriculture  
21 facilities, equipment, and activities such as, but not limited  
22 to, the collection, monitoring, and correlation of animal and  
23 crop data for the purpose of formulating animal diets and  
24 agricultural chemicals. This item (7) is exempt from the  
25 provisions of Section 3-75.

26 (8) Until June 30, 2013, fuel and petroleum products sold

1 to or used by an air common carrier, certified by the carrier  
2 to be used for consumption, shipment, or storage in the conduct  
3 of its business as an air common carrier, for a flight destined  
4 for or returning from a location or locations outside the  
5 United States without regard to previous or subsequent domestic  
6 stopovers.

7 Beginning July 1, 2013, fuel and petroleum products sold to  
8 or used by an air carrier, certified by the carrier to be used  
9 for consumption, shipment, or storage in the conduct of its  
10 business as an air common carrier, for a flight that (i) is  
11 engaged in foreign trade or is engaged in trade between the  
12 United States and any of its possessions and (ii) transports at  
13 least one individual or package for hire from the city of  
14 origination to the city of final destination on the same  
15 aircraft, without regard to a change in the flight number of  
16 that aircraft.

17 (9) Proceeds of mandatory service charges separately  
18 stated on customers' bills for the purchase and consumption of  
19 food and beverages acquired as an incident to the purchase of a  
20 service from a serviceman, to the extent that the proceeds of  
21 the service charge are in fact turned over as tips or as a  
22 substitute for tips to the employees who participate directly  
23 in preparing, serving, hosting or cleaning up the food or  
24 beverage function with respect to which the service charge is  
25 imposed.

26 (10) Until July 1, 2003, oil field exploration, drilling,

1 and production equipment, including (i) rigs and parts of rigs,  
2 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and  
3 tubular goods, including casing and drill strings, (iii) pumps  
4 and pump-jack units, (iv) storage tanks and flow lines, (v) any  
5 individual replacement part for oil field exploration,  
6 drilling, and production equipment, and (vi) machinery and  
7 equipment purchased for lease; but excluding motor vehicles  
8 required to be registered under the Illinois Vehicle Code.

9 (11) Proceeds from the sale of photoprocessing machinery  
10 and equipment, including repair and replacement parts, both new  
11 and used, including that manufactured on special order,  
12 certified by the purchaser to be used primarily for  
13 photoprocessing, and including photoprocessing machinery and  
14 equipment purchased for lease.

15 (12) Coal and aggregate exploration, mining, off-highway  
16 hauling, processing, maintenance, and reclamation equipment,  
17 including replacement parts and equipment, and including  
18 equipment purchased for lease, but excluding motor vehicles  
19 required to be registered under the Illinois Vehicle Code. The  
20 changes made to this Section by Public Act 97-767 apply on and  
21 after July 1, 2003, but no claim for credit or refund is  
22 allowed on or after August 16, 2013 (the effective date of  
23 Public Act 98-456) for such taxes paid during the period  
24 beginning July 1, 2003 and ending on August 16, 2013 (the  
25 effective date of Public Act 98-456).

26 (13) Semen used for artificial insemination of livestock

1 for direct agricultural production.

2 (14) Horses, or interests in horses, registered with and  
3 meeting the requirements of any of the Arabian Horse Club  
4 Registry of America, Appaloosa Horse Club, American Quarter  
5 Horse Association, United States Trotting Association, or  
6 Jockey Club, as appropriate, used for purposes of breeding or  
7 racing for prizes. This item (14) is exempt from the provisions  
8 of Section 3-75, and the exemption provided for under this item  
9 (14) applies for all periods beginning May 30, 1995, but no  
10 claim for credit or refund is allowed on or after the effective  
11 date of this amendatory Act of the 95th General Assembly for  
12 such taxes paid during the period beginning May 30, 2000 and  
13 ending on the effective date of this amendatory Act of the 95th  
14 General Assembly.

15 (15) Computers and communications equipment utilized for  
16 any hospital purpose and equipment used in the diagnosis,  
17 analysis, or treatment of hospital patients purchased by a  
18 lessor who leases the equipment, under a lease of one year or  
19 longer executed or in effect at the time the lessor would  
20 otherwise be subject to the tax imposed by this Act, to a  
21 hospital that has been issued an active tax exemption  
22 identification number by the Department under Section 1g of the  
23 Retailers' Occupation Tax Act. If the equipment is leased in a  
24 manner that does not qualify for this exemption or is used in  
25 any other non-exempt manner, the lessor shall be liable for the  
26 tax imposed under this Act or the Use Tax Act, as the case may

1 be, based on the fair market value of the property at the time  
2 the non-qualifying use occurs. No lessor shall collect or  
3 attempt to collect an amount (however designated) that purports  
4 to reimburse that lessor for the tax imposed by this Act or the  
5 Use Tax Act, as the case may be, if the tax has not been paid by  
6 the lessor. If a lessor improperly collects any such amount  
7 from the lessee, the lessee shall have a legal right to claim a  
8 refund of that amount from the lessor. If, however, that amount  
9 is not refunded to the lessee for any reason, the lessor is  
10 liable to pay that amount to the Department.

11 (16) Personal property purchased by a lessor who leases the  
12 property, under a lease of one year or longer executed or in  
13 effect at the time the lessor would otherwise be subject to the  
14 tax imposed by this Act, to a governmental body that has been  
15 issued an active tax exemption identification number by the  
16 Department under Section 1g of the Retailers' Occupation Tax  
17 Act. If the property is leased in a manner that does not  
18 qualify for this exemption or is used in any other non-exempt  
19 manner, the lessor shall be liable for the tax imposed under  
20 this Act or the Use Tax Act, as the case may be, based on the  
21 fair market value of the property at the time the  
22 non-qualifying use occurs. No lessor shall collect or attempt  
23 to collect an amount (however designated) that purports to  
24 reimburse that lessor for the tax imposed by this Act or the  
25 Use Tax Act, as the case may be, if the tax has not been paid by  
26 the lessor. If a lessor improperly collects any such amount

1 from the lessee, the lessee shall have a legal right to claim a  
2 refund of that amount from the lessor. If, however, that amount  
3 is not refunded to the lessee for any reason, the lessor is  
4 liable to pay that amount to the Department.

5 (17) Beginning with taxable years ending on or after  
6 December 31, 1995 and ending with taxable years ending on or  
7 before December 31, 2004, personal property that is donated for  
8 disaster relief to be used in a State or federally declared  
9 disaster area in Illinois or bordering Illinois by a  
10 manufacturer or retailer that is registered in this State to a  
11 corporation, society, association, foundation, or institution  
12 that has been issued a sales tax exemption identification  
13 number by the Department that assists victims of the disaster  
14 who reside within the declared disaster area.

15 (18) Beginning with taxable years ending on or after  
16 December 31, 1995 and ending with taxable years ending on or  
17 before December 31, 2004, personal property that is used in the  
18 performance of infrastructure repairs in this State, including  
19 but not limited to municipal roads and streets, access roads,  
20 bridges, sidewalks, waste disposal systems, water and sewer  
21 line extensions, water distribution and purification  
22 facilities, storm water drainage and retention facilities, and  
23 sewage treatment facilities, resulting from a State or  
24 federally declared disaster in Illinois or bordering Illinois  
25 when such repairs are initiated on facilities located in the  
26 declared disaster area within 6 months after the disaster.

1           (19) Beginning July 1, 1999, game or game birds purchased  
2 at a "game breeding and hunting preserve area" as that term is  
3 used in the Wildlife Code. This paragraph is exempt from the  
4 provisions of Section 3-75.

5           (20) A motor vehicle, as that term is defined in Section  
6 1-146 of the Illinois Vehicle Code, that is donated to a  
7 corporation, limited liability company, society, association,  
8 foundation, or institution that is determined by the Department  
9 to be organized and operated exclusively for educational  
10 purposes. For purposes of this exemption, "a corporation,  
11 limited liability company, society, association, foundation,  
12 or institution organized and operated exclusively for  
13 educational purposes" means all tax-supported public schools,  
14 private schools that offer systematic instruction in useful  
15 branches of learning by methods common to public schools and  
16 that compare favorably in their scope and intensity with the  
17 course of study presented in tax-supported schools, and  
18 vocational or technical schools or institutes organized and  
19 operated exclusively to provide a course of study of not less  
20 than 6 weeks duration and designed to prepare individuals to  
21 follow a trade or to pursue a manual, technical, mechanical,  
22 industrial, business, or commercial occupation.

23           (21) Beginning January 1, 2000, personal property,  
24 including food, purchased through fundraising events for the  
25 benefit of a public or private elementary or secondary school,  
26 a group of those schools, or one or more school districts if

1 the events are sponsored by an entity recognized by the school  
2 district that consists primarily of volunteers and includes  
3 parents and teachers of the school children. This paragraph  
4 does not apply to fundraising events (i) for the benefit of  
5 private home instruction or (ii) for which the fundraising  
6 entity purchases the personal property sold at the events from  
7 another individual or entity that sold the property for the  
8 purpose of resale by the fundraising entity and that profits  
9 from the sale to the fundraising entity. This paragraph is  
10 exempt from the provisions of Section 3-75.

11 (22) Beginning January 1, 2000 and through December 31,  
12 2001, new or used automatic vending machines that prepare and  
13 serve hot food and beverages, including coffee, soup, and other  
14 items, and replacement parts for these machines. Beginning  
15 January 1, 2002 and through June 30, 2003, machines and parts  
16 for machines used in commercial, coin-operated amusement and  
17 vending business if a use or occupation tax is paid on the  
18 gross receipts derived from the use of the commercial,  
19 coin-operated amusement and vending machines. This paragraph  
20 is exempt from the provisions of Section 3-75.

21 (23) Beginning August 23, 2001 and through June 30, 2016,  
22 food for human consumption that is to be consumed off the  
23 premises where it is sold (other than alcoholic beverages, soft  
24 drinks, and food that has been prepared for immediate  
25 consumption) and prescription and nonprescription medicines,  
26 drugs, medical appliances, and insulin, urine testing

1 materials, syringes, and needles used by diabetics, for human  
2 use, when purchased for use by a person receiving medical  
3 assistance under Article V of the Illinois Public Aid Code who  
4 resides in a licensed long-term care facility, as defined in  
5 the Nursing Home Care Act, or in a licensed facility as defined  
6 in the ID/DD Community Care Act, the MC/DD Act, or the  
7 Specialized Mental Health Rehabilitation Act of 2013.

8 (24) Beginning on the effective date of this amendatory Act  
9 of the 92nd General Assembly, computers and communications  
10 equipment utilized for any hospital purpose and equipment used  
11 in the diagnosis, analysis, or treatment of hospital patients  
12 purchased by a lessor who leases the equipment, under a lease  
13 of one year or longer executed or in effect at the time the  
14 lessor would otherwise be subject to the tax imposed by this  
15 Act, to a hospital that has been issued an active tax exemption  
16 identification number by the Department under Section 1g of the  
17 Retailers' Occupation Tax Act. If the equipment is leased in a  
18 manner that does not qualify for this exemption or is used in  
19 any other nonexempt manner, the lessor shall be liable for the  
20 tax imposed under this Act or the Use Tax Act, as the case may  
21 be, based on the fair market value of the property at the time  
22 the nonqualifying use occurs. No lessor shall collect or  
23 attempt to collect an amount (however designated) that purports  
24 to reimburse that lessor for the tax imposed by this Act or the  
25 Use Tax Act, as the case may be, if the tax has not been paid by  
26 the lessor. If a lessor improperly collects any such amount

1 from the lessee, the lessee shall have a legal right to claim a  
2 refund of that amount from the lessor. If, however, that amount  
3 is not refunded to the lessee for any reason, the lessor is  
4 liable to pay that amount to the Department. This paragraph is  
5 exempt from the provisions of Section 3-75.

6 (25) Beginning on the effective date of this amendatory Act  
7 of the 92nd General Assembly, personal property purchased by a  
8 lessor who leases the property, under a lease of one year or  
9 longer executed or in effect at the time the lessor would  
10 otherwise be subject to the tax imposed by this Act, to a  
11 governmental body that has been issued an active tax exemption  
12 identification number by the Department under Section 1g of the  
13 Retailers' Occupation Tax Act. If the property is leased in a  
14 manner that does not qualify for this exemption or is used in  
15 any other nonexempt manner, the lessor shall be liable for the  
16 tax imposed under this Act or the Use Tax Act, as the case may  
17 be, based on the fair market value of the property at the time  
18 the nonqualifying use occurs. No lessor shall collect or  
19 attempt to collect an amount (however designated) that purports  
20 to reimburse that lessor for the tax imposed by this Act or the  
21 Use Tax Act, as the case may be, if the tax has not been paid by  
22 the lessor. If a lessor improperly collects any such amount  
23 from the lessee, the lessee shall have a legal right to claim a  
24 refund of that amount from the lessor. If, however, that amount  
25 is not refunded to the lessee for any reason, the lessor is  
26 liable to pay that amount to the Department. This paragraph is

1 exempt from the provisions of Section 3-75.

2 (26) Beginning January 1, 2008, tangible personal property  
3 used in the construction or maintenance of a community water  
4 supply, as defined under Section 3.145 of the Environmental  
5 Protection Act, that is operated by a not-for-profit  
6 corporation that holds a valid water supply permit issued under  
7 Title IV of the Environmental Protection Act. This paragraph is  
8 exempt from the provisions of Section 3-75.

9 (27) Beginning January 1, 2010, materials, parts,  
10 equipment, components, and furnishings incorporated into or  
11 upon an aircraft as part of the modification, refurbishment,  
12 completion, replacement, repair, or maintenance of the  
13 aircraft. This exemption includes consumable supplies used in  
14 the modification, refurbishment, completion, replacement,  
15 repair, and maintenance of aircraft, but excludes any  
16 materials, parts, equipment, components, and consumable  
17 supplies used in the modification, replacement, repair, and  
18 maintenance of aircraft engines or power plants, whether such  
19 engines or power plants are installed or uninstalled upon any  
20 such aircraft. "Consumable supplies" include, but are not  
21 limited to, adhesive, tape, sandpaper, general purpose  
22 lubricants, cleaning solution, latex gloves, and protective  
23 films. This exemption applies only to the use of qualifying  
24 tangible personal property transferred incident to the  
25 modification, refurbishment, completion, replacement, repair,  
26 or maintenance of aircraft by persons who (i) hold an Air

1 Agency Certificate and are empowered to operate an approved  
2 repair station by the Federal Aviation Administration, (ii)  
3 have a Class IV Rating, and (iii) conduct operations in  
4 accordance with Part 145 of the Federal Aviation Regulations.  
5 The exemption does not include aircraft operated by a  
6 commercial air carrier providing scheduled passenger air  
7 service pursuant to authority issued under Part 121 or Part 129  
8 of the Federal Aviation Regulations. The changes made to this  
9 paragraph (27) by Public Act 98-534 are declarative of existing  
10 law.

11 (28) Tangible personal property purchased by a  
12 public-facilities corporation, as described in Section  
13 11-65-10 of the Illinois Municipal Code, for purposes of  
14 constructing or furnishing a municipal convention hall, but  
15 only if the legal title to the municipal convention hall is  
16 transferred to the municipality without any further  
17 consideration by or on behalf of the municipality at the time  
18 of the completion of the municipal convention hall or upon the  
19 retirement or redemption of any bonds or other debt instruments  
20 issued by the public-facilities corporation in connection with  
21 the development of the municipal convention hall. This  
22 exemption includes existing public-facilities corporations as  
23 provided in Section 11-65-25 of the Illinois Municipal Code.  
24 This paragraph is exempt from the provisions of Section 3-75.

25 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
26 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.

1 7-16-14; 99-180, eff. 7-29-15.)

2 (35 ILCS 110/3-70)

3 Sec. 3-70. Manufacturer's Purchase Credit. For purchases  
4 of machinery and equipment made on and after January 1, 1995  
5 and through June 30, 2003, and on and after September 1, 2004  
6 through August 30, 2014, a purchaser of manufacturing machinery  
7 and equipment that qualifies for the exemption provided by  
8 Section 2 of this Act earns a credit in an amount equal to a  
9 fixed percentage of the tax which would have been incurred  
10 under this Act on those purchases. For purchases of graphic  
11 arts machinery and equipment made on or after July 1, 1996  
12 through June 30, 2003, and on and after September 1, 2004  
13 ~~through August 30, 2014~~, a purchase of graphic arts machinery  
14 and equipment that qualifies for the exemption provided by  
15 paragraph (5) of Section 3-5 of this Act or Section 2 of this  
16 Act earns a credit in an amount equal to a fixed percentage of  
17 the tax that would have been incurred under this Act on those  
18 purchases. The credit earned for the purchase of manufacturing  
19 machinery and equipment and graphic arts machinery and  
20 equipment shall be referred to as the Manufacturer's Purchase  
21 Credit. A graphic arts producer is a person engaged in graphic  
22 arts production as defined in Section 3-30 of the Service  
23 Occupation Tax Act. Beginning July 1, 1996, all references in  
24 this Section to manufacturers or manufacturing shall also refer  
25 to graphic arts producers or graphic arts production. It is the

1 intent of the General Assembly that the Manufacturer's Purchase  
2 Credit for purchases of graphic arts machinery and equipment  
3 applies permanently on and after September 1, 2004.

4 The amount of credit shall be a percentage of the tax that  
5 would have been incurred on the purchase of the manufacturing  
6 machinery and equipment or graphic arts machinery and equipment  
7 if the exemptions provided by Section 2 or paragraph (5) of  
8 Section 3-5 of this Act had not been applicable.

9 All purchases prior to October 1, 2003 of manufacturing  
10 machinery and equipment and graphic arts machinery and  
11 equipment that qualify for the exemptions provided by paragraph  
12 (5) of Section 2 or paragraph (5) of Section 3-5 of this Act  
13 qualify for the credit without regard to whether the serviceman  
14 elected, or could have elected, under paragraph (7) of Section  
15 2 of this Act to exclude the transaction from this Act. If the  
16 serviceman's billing to the service customer separately states  
17 a selling price for the exempt manufacturing machinery or  
18 equipment or the exempt graphic arts machinery and equipment,  
19 the credit shall be calculated, as otherwise provided herein,  
20 based on that selling price. If the serviceman's billing does  
21 not separately state a selling price for the exempt  
22 manufacturing machinery and equipment or the exempt graphic  
23 arts machinery and equipment, the credit shall be calculated,  
24 as otherwise provided herein, based on 50% of the entire  
25 billing. If the serviceman contracts to design, develop, and  
26 produce special order manufacturing machinery and equipment or

1 special order graphic arts machinery and equipment, and the  
2 billing does not separately state a selling price for such  
3 special order machinery and equipment, the credit shall be  
4 calculated, as otherwise provided herein, based on 50% of the  
5 entire billing. The provisions of this paragraph are effective  
6 for purchases made on or after January 1, 1995.

7 The percentage shall be as follows:

8 (1) 15% for purchases made on or before June 30, 1995.

9 (2) 25% for purchases made after June 30, 1995, and on  
10 or before June 30, 1996.

11 (3) 40% for purchases made after June 30, 1996, and on  
12 or before June 30, 1997.

13 (4) 50% for purchases made on or after July 1, 1997.

14 (a) Manufacturer's Purchase Credit earned prior to July 1,  
15 2003. This subsection (a) applies to Manufacturer's Purchase  
16 Credit earned prior to July 1, 2003. A purchaser of production  
17 related tangible personal property desiring to use the  
18 Manufacturer's Purchase Credit shall certify to the seller  
19 prior to October 1, 2003 that the purchaser is satisfying all  
20 or part of the liability under the Use Tax Act or the Service  
21 Use Tax Act that is due on the purchase of the production  
22 related tangible personal property by use of a Manufacturer's  
23 Purchase Credit. The Manufacturer's Purchase Credit  
24 certification must be dated and shall include the name and  
25 address of the purchaser, the purchaser's registration number,  
26 if registered, the credit being applied, and a statement that

1 the State Use Tax or Service Use Tax liability is being  
2 satisfied with the manufacturer's or graphic arts producer's  
3 accumulated purchase credit. Certification may be incorporated  
4 into the manufacturer's or graphic arts producer's purchase  
5 order. Manufacturer's Purchase Credit certification provided  
6 by the manufacturer or graphic arts producer prior to October  
7 1, 2003 may be used to satisfy the retailer's or serviceman's  
8 liability under the Retailers' Occupation Tax Act or Service  
9 Occupation Tax Act for the credit claimed, not to exceed 6.25%  
10 of the receipts subject to tax from a qualifying purchase, but  
11 only if the retailer or serviceman reports the Manufacturer's  
12 Purchase Credit claimed as required by the Department. A  
13 Manufacturer's Purchase Credit reported on any original or  
14 amended return filed under this Act after October 20, 2003  
15 shall be disallowed. The Manufacturer's Purchase Credit earned  
16 by purchase of exempt manufacturing machinery and equipment or  
17 graphic arts machinery and equipment is a non-transferable  
18 credit. A manufacturer or graphic arts producer that enters  
19 into a contract involving the installation of tangible personal  
20 property into real estate within a manufacturing or graphic  
21 arts production facility, prior to October 1, 2003, may  
22 authorize a construction contractor to utilize credit  
23 accumulated by the manufacturer or graphic arts producer to  
24 purchase the tangible personal property. A manufacturer or  
25 graphic arts producer intending to use accumulated credit to  
26 purchase such tangible personal property shall execute a

1 written contract authorizing the contractor to utilize a  
2 specified dollar amount of credit. The contractor shall  
3 furnish, prior to October 1, 2003, the supplier with the  
4 manufacturer's or graphic arts producer's name, registration  
5 or resale number, and a statement that a specific amount of the  
6 Use Tax or Service Use Tax liability, not to exceed 6.25% of  
7 the selling price, is being satisfied with the credit. The  
8 manufacturer or graphic arts producer shall remain liable to  
9 timely report all information required by the annual Report of  
10 Manufacturer's Purchase Credit Used for credit utilized by a  
11 construction contractor.

12 No Manufacturer's Purchase Credit earned prior to July 1,  
13 2003 may be used after October 1, 2003. The Manufacturer's  
14 Purchase Credit may be used to satisfy liability under the Use  
15 Tax Act or the Service Use Tax Act due on the purchase of  
16 production related tangible personal property (including  
17 purchases by a manufacturer, by a graphic arts producer, or a  
18 lessor who rents or leases the use of the property to a  
19 manufacturer or graphic arts producer) that does not otherwise  
20 qualify for the manufacturing machinery and equipment  
21 exemption or the graphic arts machinery and equipment  
22 exemption. "Production related tangible personal property"  
23 means (i) all tangible personal property used or consumed by  
24 the purchaser in a manufacturing facility in which a  
25 manufacturing process described in Section 2-45 of the  
26 Retailers' Occupation Tax Act takes place, including tangible

1 personal property purchased for incorporation into real estate  
2 within a manufacturing facility and including, but not limited  
3 to, tangible personal property used or consumed in activities  
4 such as pre-production material handling, receiving, quality  
5 control, inventory control, storage, staging, and packaging  
6 for shipping and transportation purposes; (ii) all tangible  
7 personal property used or consumed by the purchaser in a  
8 graphic arts facility in which graphic arts production as  
9 described in Section 2-30 of the Retailers' Occupation Tax Act  
10 takes place, including tangible personal property purchased  
11 for incorporation into real estate within a graphic arts  
12 facility and including, but not limited to, all tangible  
13 personal property used or consumed in activities such as  
14 graphic arts preliminary or pre-press production,  
15 pre-production material handling, receiving, quality control,  
16 inventory control, storage, staging, sorting, labeling,  
17 mailing, tying, wrapping, and packaging; and (iii) all tangible  
18 personal property used or consumed by the purchaser for  
19 research and development. "Production related tangible  
20 personal property" does not include (i) tangible personal  
21 property used, within or without a manufacturing or graphic  
22 arts facility, in sales, purchasing, accounting, fiscal  
23 management, marketing, personnel recruitment or selection, or  
24 landscaping or (ii) tangible personal property required to be  
25 titled or registered with a department, agency, or unit of  
26 federal, state, or local government. The Manufacturer's

1 Purchase Credit may be used, prior to October 1, 2003, to  
2 satisfy the tax arising either from the purchase of machinery  
3 and equipment on or after January 1, 1995 for which the  
4 manufacturing machinery and equipment exemption provided by  
5 Section 2 of this Act was erroneously claimed, or the purchase  
6 of machinery and equipment on or after July 1, 1996 for which  
7 the exemption provided by paragraph (5) of Section 3-5 of this  
8 Act was erroneously claimed, but not in satisfaction of  
9 penalty, if any, and interest for failure to pay the tax when  
10 due. A purchaser of production related tangible personal  
11 property who is required to pay Illinois Use Tax or Service Use  
12 Tax on the purchase directly to the Department may, prior to  
13 October 1, 2003, utilize the Manufacturer's Purchase Credit in  
14 satisfaction of the tax arising from that purchase, but not in  
15 satisfaction of penalty and interest. A purchaser who uses the  
16 Manufacturer's Purchase Credit to purchase property which is  
17 later determined not to be production related tangible personal  
18 property may be liable for tax, penalty, and interest on the  
19 purchase of that property as of the date of purchase but shall  
20 be entitled to use the disallowed Manufacturer's Purchase  
21 Credit, so long as it has not expired and is used prior to  
22 October 1, 2003, on qualifying purchases of production related  
23 tangible personal property not previously subject to credit  
24 usage. The Manufacturer's Purchase Credit earned by a  
25 manufacturer or graphic arts producer expires the last day of  
26 the second calendar year following the calendar year in which

1 the credit arose. No Manufacturer's Purchase Credit may be used  
2 after September 30, 2003 regardless of when that credit was  
3 earned.

4 A purchaser earning Manufacturer's Purchase Credit shall  
5 sign and file an annual Report of Manufacturer's Purchase  
6 Credit Earned for each calendar year no later than the last day  
7 of the sixth month following the calendar year in which a  
8 Manufacturer's Purchase Credit is earned. A Report of  
9 Manufacturer's Purchase Credit Earned shall be filed on forms  
10 as prescribed or approved by the Department and shall state,  
11 for each month of the calendar year: (i) the total purchase  
12 price of all purchases of exempt manufacturing or graphic arts  
13 machinery on which the credit was earned; (ii) the total State  
14 Use Tax or Service Use Tax which would have been due on those  
15 items; (iii) the percentage used to calculate the amount of  
16 credit earned; (iv) the amount of credit earned; and (v) such  
17 other information as the Department may reasonably require. A  
18 purchaser earning Manufacturer's Purchase Credit shall  
19 maintain records which identify, as to each purchase of  
20 manufacturing or graphic arts machinery and equipment on which  
21 the purchaser earned Manufacturer's Purchase Credit, the  
22 vendor (including, if applicable, either the vendor's  
23 registration number or Federal Employer Identification  
24 Number), the purchase price, and the amount of Manufacturer's  
25 Purchase Credit earned on each purchase.

26 A purchaser using Manufacturer's Purchase Credit shall

1 sign and file an annual Report of Manufacturer's Purchase  
2 Credit Used for each calendar year no later than the last day  
3 of the sixth month following the calendar year in which a  
4 Manufacturer's Purchase Credit is used. A Report of  
5 Manufacturer's Purchase Credit Used shall be filed on forms as  
6 prescribed or approved by the Department and shall state, for  
7 each month of the calendar year: (i) the total purchase price  
8 of production related tangible personal property purchased  
9 from Illinois suppliers; (ii) the total purchase price of  
10 production related tangible personal property purchased from  
11 out-of-state suppliers; (iii) the total amount of credit used  
12 during such month; and (iv) such other information as the  
13 Department may reasonably require. A purchaser using  
14 Manufacturer's Purchase Credit shall maintain records that  
15 identify, as to each purchase of production related tangible  
16 personal property on which the purchaser used Manufacturer's  
17 Purchase Credit, the vendor (including, if applicable, either  
18 the vendor's registration number or Federal Employer  
19 Identification Number), the purchase price, and the amount of  
20 Manufacturer's Purchase Credit used on each purchase.

21 No annual report shall be filed before May 1, 1996 or after  
22 June 30, 2004. A purchaser that fails to file an annual Report  
23 of Manufacturer's Purchase Credit Earned or an annual Report of  
24 Manufacturer's Purchase Credit Used by the last day of the  
25 sixth month following the end of the calendar year shall  
26 forfeit all Manufacturer's Purchase Credit for that calendar

1 year unless it establishes that its failure to file was due to  
2 reasonable cause. Manufacturer's Purchase Credit reports may  
3 be amended to report and claim credit on qualifying purchases  
4 not previously reported at any time before the credit would  
5 have expired, unless both the Department and the purchaser have  
6 agreed to an extension of the statute of limitations for the  
7 issuance of a notice of tax liability as provided in Section 4  
8 of the Retailers' Occupation Tax Act. If the time for  
9 assessment or refund has been extended, then amended reports  
10 for a calendar year may be filed at any time prior to the date  
11 to which the statute of limitations for the calendar year or  
12 portion thereof has been extended. No Manufacturer's Purchase  
13 Credit report filed with the Department for periods prior to  
14 January 1, 1995 shall be approved. Manufacturer's Purchase  
15 Credit claimed on an amended report may be used, prior to  
16 October 1, 2003, to satisfy tax liability under the Use Tax Act  
17 or the Service Use Tax Act (i) on qualifying purchases of  
18 production related tangible personal property made after the  
19 date the amended report is filed or (ii) assessed by the  
20 Department on qualifying purchases of production related  
21 tangible personal property made in the case of manufacturers on  
22 or after January 1, 1995, or in the case of graphic arts  
23 producers on or after July 1, 1996.

24 If the purchaser is not the manufacturer or a graphic arts  
25 producer, but rents or leases the use of the property to a  
26 manufacturer or a graphic arts producer, the purchaser may

1 earn, report, and use Manufacturer's Purchase Credit in the  
2 same manner as a manufacturer or graphic arts producer.

3 A purchaser shall not be entitled to any Manufacturer's  
4 Purchase Credit for a purchase that is required to be reported  
5 and is not timely reported as provided in this Section. A  
6 purchaser remains liable for (i) any tax that was satisfied by  
7 use of a Manufacturer's Purchase Credit, as of the date of  
8 purchase, if that use is not timely reported as required in  
9 this Section and (ii) for any applicable penalties and interest  
10 for failing to pay the tax when due. No Manufacturer's Purchase  
11 Credit may be used after September 30, 2003 to satisfy any tax  
12 liability imposed under this Act, including any audit  
13 liability.

14 (b) Manufacturer's Purchase Credit earned on and after  
15 September 1, 2004. This subsection (b) applies to  
16 Manufacturer's Purchase Credit earned on or after September 1,  
17 2004. Manufacturer's Purchase Credit earned on or after  
18 September 1, 2004 may only be used to satisfy the Use Tax or  
19 Service Use Tax liability incurred on production related  
20 tangible personal property purchased on or after September 1,  
21 2004. A purchaser of production related tangible personal  
22 property desiring to use the Manufacturer's Purchase Credit  
23 shall certify to the seller that the purchaser is satisfying  
24 all or part of the liability under the Use Tax Act or the  
25 Service Use Tax Act that is due on the purchase of the  
26 production related tangible personal property by use of a

1 Manufacturer's Purchase Credit. The Manufacturer's Purchase  
2 Credit certification must be dated and shall include the name  
3 and address of the purchaser, the purchaser's registration  
4 number, if registered, the credit being applied, and a  
5 statement that the State Use Tax or Service Use Tax liability  
6 is being satisfied with the manufacturer's or graphic arts  
7 producer's accumulated purchase credit. Certification may be  
8 incorporated into the manufacturer's or graphic arts  
9 producer's purchase order. Manufacturer's Purchase Credit  
10 certification provided by the manufacturer or graphic arts  
11 producer may be used to satisfy the retailer's or serviceman's  
12 liability under the Retailers' Occupation Tax Act or Service  
13 Occupation Tax Act for the credit claimed, not to exceed 6.25%  
14 of the receipts subject to tax from a qualifying purchase, but  
15 only if the retailer or serviceman reports the Manufacturer's  
16 Purchase Credit claimed as required by the Department. The  
17 Manufacturer's Purchase Credit earned by purchase of exempt  
18 manufacturing machinery and equipment or graphic arts  
19 machinery and equipment is a non-transferable credit. A  
20 manufacturer or graphic arts producer that enters into a  
21 contract involving the installation of tangible personal  
22 property into real estate within a manufacturing or graphic  
23 arts production facility may, on or after September 1, 2004,  
24 authorize a construction contractor to utilize credit  
25 accumulated by the manufacturer or graphic arts producer to  
26 purchase the tangible personal property. A manufacturer or

1 graphic arts producer intending to use accumulated credit to  
2 purchase such tangible personal property shall execute a  
3 written contract authorizing the contractor to utilize a  
4 specified dollar amount of credit. The contractor shall furnish  
5 the supplier with the manufacturer's or graphic arts producer's  
6 name, registration or resale number, and a statement that a  
7 specific amount of the Use Tax or Service Use Tax liability,  
8 not to exceed 6.25% of the selling price, is being satisfied  
9 with the credit. The manufacturer or graphic arts producer  
10 shall remain liable to timely report all information required  
11 by the annual Report of Manufacturer's Purchase Credit Used for  
12 credit utilized by a construction contractor.

13       The Manufacturer's Purchase Credit may be used to satisfy  
14 liability under the Use Tax Act or the Service Use Tax Act due  
15 on the purchase, made on or after September 1, 2004, of  
16 production related tangible personal property (including  
17 purchases by a manufacturer, by a graphic arts producer, or a  
18 lessor who rents or leases the use of the property to a  
19 manufacturer or graphic arts producer) that does not otherwise  
20 qualify for the manufacturing machinery and equipment  
21 exemption or the graphic arts machinery and equipment  
22 exemption. "Production related tangible personal property"  
23 means (i) all tangible personal property used or consumed by  
24 the purchaser in a manufacturing facility in which a  
25 manufacturing process described in Section 2-45 of the  
26 Retailers' Occupation Tax Act takes place, including tangible

1 personal property purchased for incorporation into real estate  
2 within a manufacturing facility and including, but not limited  
3 to, tangible personal property used or consumed in activities  
4 such as pre-production material handling, receiving, quality  
5 control, inventory control, storage, staging, and packaging  
6 for shipping and transportation purposes; (ii) all tangible  
7 personal property used or consumed by the purchaser in a  
8 graphic arts facility in which graphic arts production as  
9 described in Section 2-30 of the Retailers' Occupation Tax Act  
10 takes place, including tangible personal property purchased  
11 for incorporation into real estate within a graphic arts  
12 facility and including, but not limited to, all tangible  
13 personal property used or consumed in activities such as  
14 graphic arts preliminary or pre-press production,  
15 pre-production material handling, receiving, quality control,  
16 inventory control, storage, staging, sorting, labeling,  
17 mailing, tying, wrapping, and packaging; and (iii) all tangible  
18 personal property used or consumed by the purchaser for  
19 research and development. "Production related tangible  
20 personal property" does not include (i) tangible personal  
21 property used, within or without a manufacturing or graphic  
22 arts facility, in sales, purchasing, accounting, fiscal  
23 management, marketing, personnel recruitment or selection, or  
24 landscaping or (ii) tangible personal property required to be  
25 titled or registered with a department, agency, or unit of  
26 federal, state, or local government. The Manufacturer's

1 Purchase Credit may be used to satisfy the tax arising either  
2 from the purchase of machinery and equipment on or after  
3 September 1, 2004 for which the manufacturing machinery and  
4 equipment exemption provided by Section 2 of this Act was  
5 erroneously claimed, or the purchase of machinery and equipment  
6 on or after September 1, 2004 for which the exemption provided  
7 by paragraph (5) of Section 3-5 of this Act was erroneously  
8 claimed, but not in satisfaction of penalty, if any, and  
9 interest for failure to pay the tax when due. A purchaser of  
10 production related tangible personal property that is  
11 purchased on or after September 1, 2004 who is required to pay  
12 Illinois Use Tax or Service Use Tax on the purchase directly to  
13 the Department may utilize the Manufacturer's Purchase Credit  
14 in satisfaction of the tax arising from that purchase, but not  
15 in satisfaction of penalty and interest. A purchaser who uses  
16 the Manufacturer's Purchase Credit to purchase property on and  
17 after September 1, 2004 which is later determined not to be  
18 production related tangible personal property may be liable for  
19 tax, penalty, and interest on the purchase of that property as  
20 of the date of purchase but shall be entitled to use the  
21 disallowed Manufacturer's Purchase Credit, so long as it has  
22 not expired, on qualifying purchases of production related  
23 tangible personal property not previously subject to credit  
24 usage. The Manufacturer's Purchase Credit earned by a  
25 manufacturer or graphic arts producer expires the last day of  
26 the second calendar year following the calendar year in which

1 the credit arose.

2 A purchaser earning Manufacturer's Purchase Credit shall  
3 sign and file an annual Report of Manufacturer's Purchase  
4 Credit Earned for each calendar year no later than the last day  
5 of the sixth month following the calendar year in which a  
6 Manufacturer's Purchase Credit is earned. A Report of  
7 Manufacturer's Purchase Credit Earned shall be filed on forms  
8 as prescribed or approved by the Department and shall state,  
9 for each month of the calendar year: (i) the total purchase  
10 price of all purchases of exempt manufacturing or graphic arts  
11 machinery on which the credit was earned; (ii) the total State  
12 Use Tax or Service Use Tax which would have been due on those  
13 items; (iii) the percentage used to calculate the amount of  
14 credit earned; (iv) the amount of credit earned; and (v) such  
15 other information as the Department may reasonably require. A  
16 purchaser earning Manufacturer's Purchase Credit shall  
17 maintain records which identify, as to each purchase of  
18 manufacturing or graphic arts machinery and equipment on which  
19 the purchaser earned Manufacturer's Purchase Credit, the  
20 vendor (including, if applicable, either the vendor's  
21 registration number or Federal Employer Identification  
22 Number), the purchase price, and the amount of Manufacturer's  
23 Purchase Credit earned on each purchase.

24 A purchaser using Manufacturer's Purchase Credit shall  
25 sign and file an annual Report of Manufacturer's Purchase  
26 Credit Used for each calendar year no later than the last day

1 of the sixth month following the calendar year in which a  
2 Manufacturer's Purchase Credit is used. A Report of  
3 Manufacturer's Purchase Credit Used shall be filed on forms as  
4 prescribed or approved by the Department and shall state, for  
5 each month of the calendar year: (i) the total purchase price  
6 of production related tangible personal property purchased  
7 from Illinois suppliers; (ii) the total purchase price of  
8 production related tangible personal property purchased from  
9 out-of-state suppliers; (iii) the total amount of credit used  
10 during such month; and (iv) such other information as the  
11 Department may reasonably require. A purchaser using  
12 Manufacturer's Purchase Credit shall maintain records that  
13 identify, as to each purchase of production related tangible  
14 personal property on which the purchaser used Manufacturer's  
15 Purchase Credit, the vendor (including, if applicable, either  
16 the vendor's registration number or Federal Employer  
17 Identification Number), the purchase price, and the amount of  
18 Manufacturer's Purchase Credit used on each purchase.

19 A purchaser that fails to file an annual Report of  
20 Manufacturer's Purchase Credit Earned or an annual Report of  
21 Manufacturer's Purchase Credit Used by the last day of the  
22 sixth month following the end of the calendar year shall  
23 forfeit all Manufacturer's Purchase Credit for that calendar  
24 year unless it establishes that its failure to file was due to  
25 reasonable cause. Manufacturer's Purchase Credit reports may  
26 be amended to report and claim credit on qualifying purchases

1 not previously reported at any time before the credit would  
2 have expired, unless both the Department and the purchaser have  
3 agreed to an extension of the statute of limitations for the  
4 issuance of a notice of tax liability as provided in Section 4  
5 of the Retailers' Occupation Tax Act. If the time for  
6 assessment or refund has been extended, then amended reports  
7 for a calendar year may be filed at any time prior to the date  
8 to which the statute of limitations for the calendar year or  
9 portion thereof has been extended. Manufacturer's Purchase  
10 Credit claimed on an amended report may be used to satisfy tax  
11 liability under the Use Tax Act or the Service Use Tax Act (i)  
12 on qualifying purchases of production related tangible  
13 personal property made after the date the amended report is  
14 filed or (ii) assessed by the Department on qualifying  
15 production related tangible personal property purchased on or  
16 after September 1, 2004.

17 If the purchaser is not the manufacturer or a graphic arts  
18 producer, but rents or leases the use of the property to a  
19 manufacturer or a graphic arts producer, the purchaser may  
20 earn, report, and use Manufacturer's Purchase Credit in the  
21 same manner as a manufacturer or graphic arts producer. A  
22 purchaser shall not be entitled to any Manufacturer's Purchase  
23 Credit for a purchase that is required to be reported and is  
24 not timely reported as provided in this Section. A purchaser  
25 remains liable for (i) any tax that was satisfied by use of a  
26 Manufacturer's Purchase Credit, as of the date of purchase, if

1 that use is not timely reported as required in this Section and  
2 (ii) for any applicable penalties and interest for failing to  
3 pay the tax when due.

4 (Source: P.A. 96-116, eff. 7-31-09.)

5 Section 15. The Service Occupation Tax Act is amended by  
6 changing Sections 2 and 3-5 as follows:

7 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

8 Sec. 2. "Transfer" means any transfer of the title to  
9 property or of the ownership of property whether or not the  
10 transferor retains title as security for the payment of amounts  
11 due him from the transferee.

12 "Cost Price" means the consideration paid by the serviceman  
13 for a purchase valued in money, whether paid in money or  
14 otherwise, including cash, credits and services, and shall be  
15 determined without any deduction on account of the supplier's  
16 cost of the property sold or on account of any other expense  
17 incurred by the supplier. When a serviceman contracts out part  
18 or all of the services required in his sale of service, it  
19 shall be presumed that the cost price to the serviceman of the  
20 property transferred to him by his or her subcontractor is  
21 equal to 50% of the subcontractor's charges to the serviceman  
22 in the absence of proof of the consideration paid by the  
23 subcontractor for the purchase of such property.

24 "Department" means the Department of Revenue.

1 "Person" means any natural individual, firm, partnership,  
2 association, joint stock company, joint venture, public or  
3 private corporation, limited liability company, and any  
4 receiver, executor, trustee, guardian or other representative  
5 appointed by order of any court.

6 "Sale of Service" means any transaction except:

7 (a) A retail sale of tangible personal property taxable  
8 under the Retailers' Occupation Tax Act or under the Use Tax  
9 Act.

10 (b) A sale of tangible personal property for the purpose of  
11 resale made in compliance with Section 2c of the Retailers'  
12 Occupation Tax Act.

13 (c) Except as hereinafter provided, a sale or transfer of  
14 tangible personal property as an incident to the rendering of  
15 service for or by any governmental body or for or by any  
16 corporation, society, association, foundation or institution  
17 organized and operated exclusively for charitable, religious  
18 or educational purposes or any not-for-profit corporation,  
19 society, association, foundation, institution or organization  
20 which has no compensated officers or employees and which is  
21 organized and operated primarily for the recreation of persons  
22 55 years of age or older. A limited liability company may  
23 qualify for the exemption under this paragraph only if the  
24 limited liability company is organized and operated  
25 exclusively for educational purposes.

26 (d) A sale or transfer of tangible personal property as an

1 incident to the rendering of service for interstate carriers  
2 for hire for use as rolling stock moving in interstate commerce  
3 or lessors under leases of one year or longer, executed or in  
4 effect at the time of purchase, to interstate carriers for hire  
5 for use as rolling stock moving in interstate commerce, and  
6 equipment operated by a telecommunications provider, licensed  
7 as a common carrier by the Federal Communications Commission,  
8 which is permanently installed in or affixed to aircraft moving  
9 in interstate commerce.

10 (d-1) A sale or transfer of tangible personal property as  
11 an incident to the rendering of service for owners, lessors or  
12 shippers of tangible personal property which is utilized by  
13 interstate carriers for hire for use as rolling stock moving in  
14 interstate commerce, and equipment operated by a  
15 telecommunications provider, licensed as a common carrier by  
16 the Federal Communications Commission, which is permanently  
17 installed in or affixed to aircraft moving in interstate  
18 commerce.

19 (d-1.1) On and after July 1, 2003 and through June 30,  
20 2004, a sale or transfer of a motor vehicle of the second  
21 division with a gross vehicle weight in excess of 8,000 pounds  
22 as an incident to the rendering of service if that motor  
23 vehicle is subject to the commercial distribution fee imposed  
24 under Section 3-815.1 of the Illinois Vehicle Code. Beginning  
25 on July 1, 2004 and through June 30, 2005, the use in this  
26 State of motor vehicles of the second division: (i) with a

1 gross vehicle weight rating in excess of 8,000 pounds; (ii)  
2 that are subject to the commercial distribution fee imposed  
3 under Section 3-815.1 of the Illinois Vehicle Code; and (iii)  
4 that are primarily used for commercial purposes. Through June  
5 30, 2005, this exemption applies to repair and replacement  
6 parts added after the initial purchase of such a motor vehicle  
7 if that motor vehicle is used in a manner that would qualify  
8 for the rolling stock exemption otherwise provided for in this  
9 Act. For purposes of this paragraph, "used for commercial  
10 purposes" means the transportation of persons or property in  
11 furtherance of any commercial or industrial enterprise whether  
12 for-hire or not.

13 (d-2) The repairing, reconditioning or remodeling, for a  
14 common carrier by rail, of tangible personal property which  
15 belongs to such carrier for hire, and as to which such carrier  
16 receives the physical possession of the repaired,  
17 reconditioned or remodeled item of tangible personal property  
18 in Illinois, and which such carrier transports, or shares with  
19 another common carrier in the transportation of such property,  
20 out of Illinois on a standard uniform bill of lading showing  
21 the person who repaired, reconditioned or remodeled the  
22 property as the shipper or consignor of such property to a  
23 destination outside Illinois, for use outside Illinois.

24 (d-3) A sale or transfer of tangible personal property  
25 which is produced by the seller thereof on special order in  
26 such a way as to have made the applicable tax the Service

1 Occupation Tax or the Service Use Tax, rather than the  
2 Retailers' Occupation Tax or the Use Tax, for an interstate  
3 carrier by rail which receives the physical possession of such  
4 property in Illinois, and which transports such property, or  
5 shares with another common carrier in the transportation of  
6 such property, out of Illinois on a standard uniform bill of  
7 lading showing the seller of the property as the shipper or  
8 consignor of such property to a destination outside Illinois,  
9 for use outside Illinois.

10 (d-4) Until January 1, 1997, a sale, by a registered  
11 serviceman paying tax under this Act to the Department, of  
12 special order printed materials delivered outside Illinois and  
13 which are not returned to this State, if delivery is made by  
14 the seller or agent of the seller, including an agent who  
15 causes the product to be delivered outside Illinois by a common  
16 carrier or the U.S. postal service.

17 (e) A sale or transfer of machinery and equipment used  
18 primarily in the process of the manufacturing or assembling,  
19 either in an existing, an expanded or a new manufacturing  
20 facility, of tangible personal property for wholesale or retail  
21 sale or lease, whether such sale or lease is made directly by  
22 the manufacturer or by some other person, whether the materials  
23 used in the process are owned by the manufacturer or some other  
24 person, or whether such sale or lease is made apart from or as  
25 an incident to the seller's engaging in a service occupation  
26 and the applicable tax is a Service Occupation Tax or Service

1 Use Tax, rather than Retailers' Occupation Tax or Use Tax. The  
2 exemption provided by this paragraph (e) does not include  
3 machinery and equipment used in (i) the generation of  
4 electricity for wholesale or retail sale; (ii) the generation  
5 or treatment of natural or artificial gas for wholesale or  
6 retail sale that is delivered to customers through pipes,  
7 pipelines, or mains; or (iii) the treatment of water for  
8 wholesale or retail sale that is delivered to customers through  
9 pipes, pipelines, or mains. The provisions of this amendatory  
10 Act of the 98th General Assembly are declaratory of existing  
11 law as to the meaning and scope of this exemption. The  
12 exemption under this subsection (e) is exempt from the  
13 provisions of Section 3-75.

14 (f) Until July 1, 2003, the sale or transfer of  
15 distillation machinery and equipment, sold as a unit or kit and  
16 assembled or installed by the retailer, which machinery and  
17 equipment is certified by the user to be used only for the  
18 production of ethyl alcohol that will be used for consumption  
19 as motor fuel or as a component of motor fuel for the personal  
20 use of such user and not subject to sale or resale.

21 (g) At the election of any serviceman not required to be  
22 otherwise registered as a retailer under Section 2a of the  
23 Retailers' Occupation Tax Act, made for each fiscal year sales  
24 of service in which the aggregate annual cost price of tangible  
25 personal property transferred as an incident to the sales of  
26 service is less than 35% (75% in the case of servicemen

1 transferring prescription drugs or servicemen engaged in  
2 graphic arts production) of the aggregate annual total gross  
3 receipts from all sales of service. The purchase of such  
4 tangible personal property by the serviceman shall be subject  
5 to tax under the Retailers' Occupation Tax Act and the Use Tax  
6 Act. However, if a primary serviceman who has made the election  
7 described in this paragraph subcontracts service work to a  
8 secondary serviceman who has also made the election described  
9 in this paragraph, the primary serviceman does not incur a Use  
10 Tax liability if the secondary serviceman (i) has paid or will  
11 pay Use Tax on his or her cost price of any tangible personal  
12 property transferred to the primary serviceman and (ii)  
13 certifies that fact in writing to the primary serviceman.

14 Tangible personal property transferred incident to the  
15 completion of a maintenance agreement is exempt from the tax  
16 imposed pursuant to this Act.

17 Exemption (e) also includes machinery and equipment used in  
18 the general maintenance or repair of such exempt machinery and  
19 equipment or for in-house manufacture of exempt machinery and  
20 equipment. On and after August 31, 2014, exemption (e) also  
21 includes graphic arts machinery and equipment, as defined in  
22 paragraph (5) of Section 3-5. The machinery and equipment  
23 exemption does not include machinery and equipment used in (i)  
24 the generation of electricity for wholesale or retail sale;  
25 (ii) the generation or treatment of natural or artificial gas  
26 for wholesale or retail sale that is delivered to customers

1 through pipes, pipelines, or mains; or (iii) the treatment of  
2 water for wholesale or retail sale that is delivered to  
3 customers through pipes, pipelines, or mains. The provisions of  
4 this amendatory Act of the 98th General Assembly are  
5 declaratory of existing law as to the meaning and scope of this  
6 exemption. For the purposes of exemption (e), each of these  
7 terms shall have the following meanings: (1) "manufacturing  
8 process" shall mean the production of any article of tangible  
9 personal property, whether such article is a finished product  
10 or an article for use in the process of manufacturing or  
11 assembling a different article of tangible personal property,  
12 by procedures commonly regarded as manufacturing, processing,  
13 fabricating, or refining which changes some existing material  
14 or materials into a material with a different form, use or  
15 name. In relation to a recognized integrated business composed  
16 of a series of operations which collectively constitute  
17 manufacturing, or individually constitute manufacturing  
18 operations, the manufacturing process shall be deemed to  
19 commence with the first operation or stage of production in the  
20 series, and shall not be deemed to end until the completion of  
21 the final product in the last operation or stage of production  
22 in the series; and further for purposes of exemption (e),  
23 photoprocessing is deemed to be a manufacturing process of  
24 tangible personal property for wholesale or retail sale; (2)  
25 "assembling process" shall mean the production of any article  
26 of tangible personal property, whether such article is a

1 finished product or an article for use in the process of  
2 manufacturing or assembling a different article of tangible  
3 personal property, by the combination of existing materials in  
4 a manner commonly regarded as assembling which results in a  
5 material of a different form, use or name; (3) "machinery"  
6 shall mean major mechanical machines or major components of  
7 such machines contributing to a manufacturing or assembling  
8 process; and (4) "equipment" shall include any independent  
9 device or tool separate from any machinery but essential to an  
10 integrated manufacturing or assembly process; including  
11 computers used primarily in a manufacturer's computer assisted  
12 design, computer assisted manufacturing (CAD/CAM) system; or  
13 any subunit or assembly comprising a component of any machinery  
14 or auxiliary, adjunct or attachment parts of machinery, such as  
15 tools, dies, jigs, fixtures, patterns and molds; or any parts  
16 which require periodic replacement in the course of normal  
17 operation; but shall not include hand tools. Equipment includes  
18 chemicals or chemicals acting as catalysts but only if the  
19 chemicals or chemicals acting as catalysts effect a direct and  
20 immediate change upon a product being manufactured or assembled  
21 for wholesale or retail sale or lease. The purchaser of such  
22 machinery and equipment who has an active resale registration  
23 number shall furnish such number to the seller at the time of  
24 purchase. The purchaser of such machinery and equipment and  
25 tools without an active resale registration number shall  
26 furnish to the seller a certificate of exemption for each

1 transaction stating facts establishing the exemption for that  
2 transaction, which certificate shall be available to the  
3 Department for inspection or audit.

4 Except as provided in Section 2d of this Act, the rolling  
5 stock exemption applies to rolling stock used by an interstate  
6 carrier for hire, even just between points in Illinois, if such  
7 rolling stock transports, for hire, persons whose journeys or  
8 property whose shipments originate or terminate outside  
9 Illinois.

10 Any informal rulings, opinions or letters issued by the  
11 Department in response to an inquiry or request for any opinion  
12 from any person regarding the coverage and applicability of  
13 exemption (e) to specific devices shall be published,  
14 maintained as a public record, and made available for public  
15 inspection and copying. If the informal ruling, opinion or  
16 letter contains trade secrets or other confidential  
17 information, where possible the Department shall delete such  
18 information prior to publication. Whenever such informal  
19 rulings, opinions, or letters contain any policy of general  
20 applicability, the Department shall formulate and adopt such  
21 policy as a rule in accordance with the provisions of the  
22 Illinois Administrative Procedure Act.

23 On and after July 1, 1987, no entity otherwise eligible  
24 under exemption (c) of this Section shall make tax free  
25 purchases unless it has an active exemption identification  
26 number issued by the Department.

1 "Serviceman" means any person who is engaged in the  
2 occupation of making sales of service.

3 "Sale at Retail" means "sale at retail" as defined in the  
4 Retailers' Occupation Tax Act.

5 "Supplier" means any person who makes sales of tangible  
6 personal property to servicemen for the purpose of resale as an  
7 incident to a sale of service.

8 (Source: P.A. 98-583, eff. 1-1-14.)

9 (35 ILCS 115/3-5)

10 Sec. 3-5. Exemptions. The following tangible personal  
11 property is exempt from the tax imposed by this Act:

12 (1) Personal property sold by a corporation, society,  
13 association, foundation, institution, or organization, other  
14 than a limited liability company, that is organized and  
15 operated as a not-for-profit service enterprise for the benefit  
16 of persons 65 years of age or older if the personal property  
17 was not purchased by the enterprise for the purpose of resale  
18 by the enterprise.

19 (2) Personal property purchased by a not-for-profit  
20 Illinois county fair association for use in conducting,  
21 operating, or promoting the county fair.

22 (3) Personal property purchased by any not-for-profit arts  
23 or cultural organization that establishes, by proof required by  
24 the Department by rule, that it has received an exemption under  
25 Section 501(c)(3) of the Internal Revenue Code and that is

1 organized and operated primarily for the presentation or  
2 support of arts or cultural programming, activities, or  
3 services. These organizations include, but are not limited to,  
4 music and dramatic arts organizations such as symphony  
5 orchestras and theatrical groups, arts and cultural service  
6 organizations, local arts councils, visual arts organizations,  
7 and media arts organizations. On and after the effective date  
8 of this amendatory Act of the 92nd General Assembly, however,  
9 an entity otherwise eligible for this exemption shall not make  
10 tax-free purchases unless it has an active identification  
11 number issued by the Department.

12 (4) Legal tender, currency, medallions, or gold or silver  
13 coinage issued by the State of Illinois, the government of the  
14 United States of America, or the government of any foreign  
15 country, and bullion.

16 (5) Until July 1, 2003 and beginning again on September 1,  
17 2004 through August 30, 2014, graphic arts machinery and  
18 equipment, including repair and replacement parts, both new and  
19 used, and including that manufactured on special order or  
20 purchased for lease, certified by the purchaser to be used  
21 primarily for graphic arts production. Equipment includes  
22 chemicals or chemicals acting as catalysts but only if the  
23 chemicals or chemicals acting as catalysts effect a direct and  
24 immediate change upon a graphic arts product. Beginning on  
25 August 31, 2014, graphic arts machinery and equipment is  
26 included in the manufacturing and assembling machinery and

1 equipment exemption under Section 2 of this Act.

2 (6) Personal property sold by a teacher-sponsored student  
3 organization affiliated with an elementary or secondary school  
4 located in Illinois.

5 (7) Farm machinery and equipment, both new and used,  
6 including that manufactured on special order, certified by the  
7 purchaser to be used primarily for production agriculture or  
8 State or federal agricultural programs, including individual  
9 replacement parts for the machinery and equipment, including  
10 machinery and equipment purchased for lease, and including  
11 implements of husbandry defined in Section 1-130 of the  
12 Illinois Vehicle Code, farm machinery and agricultural  
13 chemical and fertilizer spreaders, and nurse wagons required to  
14 be registered under Section 3-809 of the Illinois Vehicle Code,  
15 but excluding other motor vehicles required to be registered  
16 under the Illinois Vehicle Code. Horticultural polyhouses or  
17 hoop houses used for propagating, growing, or overwintering  
18 plants shall be considered farm machinery and equipment under  
19 this item (7). Agricultural chemical tender tanks and dry boxes  
20 shall include units sold separately from a motor vehicle  
21 required to be licensed and units sold mounted on a motor  
22 vehicle required to be licensed if the selling price of the  
23 tender is separately stated.

24 Farm machinery and equipment shall include precision  
25 farming equipment that is installed or purchased to be  
26 installed on farm machinery and equipment including, but not

1 limited to, tractors, harvesters, sprayers, planters, seeders,  
2 or spreaders. Precision farming equipment includes, but is not  
3 limited to, soil testing sensors, computers, monitors,  
4 software, global positioning and mapping systems, and other  
5 such equipment.

6 Farm machinery and equipment also includes computers,  
7 sensors, software, and related equipment used primarily in the  
8 computer-assisted operation of production agriculture  
9 facilities, equipment, and activities such as, but not limited  
10 to, the collection, monitoring, and correlation of animal and  
11 crop data for the purpose of formulating animal diets and  
12 agricultural chemicals. This item (7) is exempt from the  
13 provisions of Section 3-55.

14 (8) Until June 30, 2013, fuel and petroleum products sold  
15 to or used by an air common carrier, certified by the carrier  
16 to be used for consumption, shipment, or storage in the conduct  
17 of its business as an air common carrier, for a flight destined  
18 for or returning from a location or locations outside the  
19 United States without regard to previous or subsequent domestic  
20 stopovers.

21 Beginning July 1, 2013, fuel and petroleum products sold to  
22 or used by an air carrier, certified by the carrier to be used  
23 for consumption, shipment, or storage in the conduct of its  
24 business as an air common carrier, for a flight that (i) is  
25 engaged in foreign trade or is engaged in trade between the  
26 United States and any of its possessions and (ii) transports at

1 least one individual or package for hire from the city of  
2 origination to the city of final destination on the same  
3 aircraft, without regard to a change in the flight number of  
4 that aircraft.

5 (9) Proceeds of mandatory service charges separately  
6 stated on customers' bills for the purchase and consumption of  
7 food and beverages, to the extent that the proceeds of the  
8 service charge are in fact turned over as tips or as a  
9 substitute for tips to the employees who participate directly  
10 in preparing, serving, hosting or cleaning up the food or  
11 beverage function with respect to which the service charge is  
12 imposed.

13 (10) Until July 1, 2003, oil field exploration, drilling,  
14 and production equipment, including (i) rigs and parts of rigs,  
15 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and  
16 tubular goods, including casing and drill strings, (iii) pumps  
17 and pump-jack units, (iv) storage tanks and flow lines, (v) any  
18 individual replacement part for oil field exploration,  
19 drilling, and production equipment, and (vi) machinery and  
20 equipment purchased for lease; but excluding motor vehicles  
21 required to be registered under the Illinois Vehicle Code.

22 (11) Photoprocessing machinery and equipment, including  
23 repair and replacement parts, both new and used, including that  
24 manufactured on special order, certified by the purchaser to be  
25 used primarily for photoprocessing, and including  
26 photoprocessing machinery and equipment purchased for lease.

1           (12) Coal and aggregate exploration, mining, off-highway  
2 hauling, processing, maintenance, and reclamation equipment,  
3 including replacement parts and equipment, and including  
4 equipment purchased for lease, but excluding motor vehicles  
5 required to be registered under the Illinois Vehicle Code. The  
6 changes made to this Section by Public Act 97-767 apply on and  
7 after July 1, 2003, but no claim for credit or refund is  
8 allowed on or after August 16, 2013 (the effective date of  
9 Public Act 98-456) for such taxes paid during the period  
10 beginning July 1, 2003 and ending on August 16, 2013 (the  
11 effective date of Public Act 98-456).

12           (13) Beginning January 1, 1992 and through June 30, 2016,  
13 food for human consumption that is to be consumed off the  
14 premises where it is sold (other than alcoholic beverages, soft  
15 drinks and food that has been prepared for immediate  
16 consumption) and prescription and non-prescription medicines,  
17 drugs, medical appliances, and insulin, urine testing  
18 materials, syringes, and needles used by diabetics, for human  
19 use, when purchased for use by a person receiving medical  
20 assistance under Article V of the Illinois Public Aid Code who  
21 resides in a licensed long-term care facility, as defined in  
22 the Nursing Home Care Act, or in a licensed facility as defined  
23 in the ID/DD Community Care Act, the MC/DD Act, or the  
24 Specialized Mental Health Rehabilitation Act of 2013.

25           (14) Semen used for artificial insemination of livestock  
26 for direct agricultural production.

1           (15) Horses, or interests in horses, registered with and  
2 meeting the requirements of any of the Arabian Horse Club  
3 Registry of America, Appaloosa Horse Club, American Quarter  
4 Horse Association, United States Trotting Association, or  
5 Jockey Club, as appropriate, used for purposes of breeding or  
6 racing for prizes. This item (15) is exempt from the provisions  
7 of Section 3-55, and the exemption provided for under this item  
8 (15) applies for all periods beginning May 30, 1995, but no  
9 claim for credit or refund is allowed on or after January 1,  
10 2008 (the effective date of Public Act 95-88) for such taxes  
11 paid during the period beginning May 30, 2000 and ending on  
12 January 1, 2008 (the effective date of Public Act 95-88).

13           (16) Computers and communications equipment utilized for  
14 any hospital purpose and equipment used in the diagnosis,  
15 analysis, or treatment of hospital patients sold to a lessor  
16 who leases the equipment, under a lease of one year or longer  
17 executed or in effect at the time of the purchase, to a  
18 hospital that has been issued an active tax exemption  
19 identification number by the Department under Section 1g of the  
20 Retailers' Occupation Tax Act.

21           (17) Personal property sold to a lessor who leases the  
22 property, under a lease of one year or longer executed or in  
23 effect at the time of the purchase, to a governmental body that  
24 has been issued an active tax exemption identification number  
25 by the Department under Section 1g of the Retailers' Occupation  
26 Tax Act.

1           (18) Beginning with taxable years ending on or after  
2 December 31, 1995 and ending with taxable years ending on or  
3 before December 31, 2004, personal property that is donated for  
4 disaster relief to be used in a State or federally declared  
5 disaster area in Illinois or bordering Illinois by a  
6 manufacturer or retailer that is registered in this State to a  
7 corporation, society, association, foundation, or institution  
8 that has been issued a sales tax exemption identification  
9 number by the Department that assists victims of the disaster  
10 who reside within the declared disaster area.

11           (19) Beginning with taxable years ending on or after  
12 December 31, 1995 and ending with taxable years ending on or  
13 before December 31, 2004, personal property that is used in the  
14 performance of infrastructure repairs in this State, including  
15 but not limited to municipal roads and streets, access roads,  
16 bridges, sidewalks, waste disposal systems, water and sewer  
17 line extensions, water distribution and purification  
18 facilities, storm water drainage and retention facilities, and  
19 sewage treatment facilities, resulting from a State or  
20 federally declared disaster in Illinois or bordering Illinois  
21 when such repairs are initiated on facilities located in the  
22 declared disaster area within 6 months after the disaster.

23           (20) Beginning July 1, 1999, game or game birds sold at a  
24 "game breeding and hunting preserve area" as that term is used  
25 in the Wildlife Code. This paragraph is exempt from the  
26 provisions of Section 3-55.

1           (21) A motor vehicle, as that term is defined in Section  
2 1-146 of the Illinois Vehicle Code, that is donated to a  
3 corporation, limited liability company, society, association,  
4 foundation, or institution that is determined by the Department  
5 to be organized and operated exclusively for educational  
6 purposes. For purposes of this exemption, "a corporation,  
7 limited liability company, society, association, foundation,  
8 or institution organized and operated exclusively for  
9 educational purposes" means all tax-supported public schools,  
10 private schools that offer systematic instruction in useful  
11 branches of learning by methods common to public schools and  
12 that compare favorably in their scope and intensity with the  
13 course of study presented in tax-supported schools, and  
14 vocational or technical schools or institutes organized and  
15 operated exclusively to provide a course of study of not less  
16 than 6 weeks duration and designed to prepare individuals to  
17 follow a trade or to pursue a manual, technical, mechanical,  
18 industrial, business, or commercial occupation.

19           (22) Beginning January 1, 2000, personal property,  
20 including food, purchased through fundraising events for the  
21 benefit of a public or private elementary or secondary school,  
22 a group of those schools, or one or more school districts if  
23 the events are sponsored by an entity recognized by the school  
24 district that consists primarily of volunteers and includes  
25 parents and teachers of the school children. This paragraph  
26 does not apply to fundraising events (i) for the benefit of

1 private home instruction or (ii) for which the fundraising  
2 entity purchases the personal property sold at the events from  
3 another individual or entity that sold the property for the  
4 purpose of resale by the fundraising entity and that profits  
5 from the sale to the fundraising entity. This paragraph is  
6 exempt from the provisions of Section 3-55.

7 (23) Beginning January 1, 2000 and through December 31,  
8 2001, new or used automatic vending machines that prepare and  
9 serve hot food and beverages, including coffee, soup, and other  
10 items, and replacement parts for these machines. Beginning  
11 January 1, 2002 and through June 30, 2003, machines and parts  
12 for machines used in commercial, coin-operated amusement and  
13 vending business if a use or occupation tax is paid on the  
14 gross receipts derived from the use of the commercial,  
15 coin-operated amusement and vending machines. This paragraph  
16 is exempt from the provisions of Section 3-55.

17 (24) Beginning on the effective date of this amendatory Act  
18 of the 92nd General Assembly, computers and communications  
19 equipment utilized for any hospital purpose and equipment used  
20 in the diagnosis, analysis, or treatment of hospital patients  
21 sold to a lessor who leases the equipment, under a lease of one  
22 year or longer executed or in effect at the time of the  
23 purchase, to a hospital that has been issued an active tax  
24 exemption identification number by the Department under  
25 Section 1g of the Retailers' Occupation Tax Act. This paragraph  
26 is exempt from the provisions of Section 3-55.

1           (25) Beginning on the effective date of this amendatory Act  
2 of the 92nd General Assembly, personal property sold to a  
3 lessor who leases the property, under a lease of one year or  
4 longer executed or in effect at the time of the purchase, to a  
5 governmental body that has been issued an active tax exemption  
6 identification number by the Department under Section 1g of the  
7 Retailers' Occupation Tax Act. This paragraph is exempt from  
8 the provisions of Section 3-55.

9           (26) Beginning on January 1, 2002 and through June 30,  
10 2016, tangible personal property purchased from an Illinois  
11 retailer by a taxpayer engaged in centralized purchasing  
12 activities in Illinois who will, upon receipt of the property  
13 in Illinois, temporarily store the property in Illinois (i) for  
14 the purpose of subsequently transporting it outside this State  
15 for use or consumption thereafter solely outside this State or  
16 (ii) for the purpose of being processed, fabricated, or  
17 manufactured into, attached to, or incorporated into other  
18 tangible personal property to be transported outside this State  
19 and thereafter used or consumed solely outside this State. The  
20 Director of Revenue shall, pursuant to rules adopted in  
21 accordance with the Illinois Administrative Procedure Act,  
22 issue a permit to any taxpayer in good standing with the  
23 Department who is eligible for the exemption under this  
24 paragraph (26). The permit issued under this paragraph (26)  
25 shall authorize the holder, to the extent and in the manner  
26 specified in the rules adopted under this Act, to purchase

1 tangible personal property from a retailer exempt from the  
2 taxes imposed by this Act. Taxpayers shall maintain all  
3 necessary books and records to substantiate the use and  
4 consumption of all such tangible personal property outside of  
5 the State of Illinois.

6 (27) Beginning January 1, 2008, tangible personal property  
7 used in the construction or maintenance of a community water  
8 supply, as defined under Section 3.145 of the Environmental  
9 Protection Act, that is operated by a not-for-profit  
10 corporation that holds a valid water supply permit issued under  
11 Title IV of the Environmental Protection Act. This paragraph is  
12 exempt from the provisions of Section 3-55.

13 (28) Tangible personal property sold to a  
14 public-facilities corporation, as described in Section  
15 11-65-10 of the Illinois Municipal Code, for purposes of  
16 constructing or furnishing a municipal convention hall, but  
17 only if the legal title to the municipal convention hall is  
18 transferred to the municipality without any further  
19 consideration by or on behalf of the municipality at the time  
20 of the completion of the municipal convention hall or upon the  
21 retirement or redemption of any bonds or other debt instruments  
22 issued by the public-facilities corporation in connection with  
23 the development of the municipal convention hall. This  
24 exemption includes existing public-facilities corporations as  
25 provided in Section 11-65-25 of the Illinois Municipal Code.  
26 This paragraph is exempt from the provisions of Section 3-55.

1           (29) Beginning January 1, 2010, materials, parts,  
2 equipment, components, and furnishings incorporated into or  
3 upon an aircraft as part of the modification, refurbishment,  
4 completion, replacement, repair, or maintenance of the  
5 aircraft. This exemption includes consumable supplies used in  
6 the modification, refurbishment, completion, replacement,  
7 repair, and maintenance of aircraft, but excludes any  
8 materials, parts, equipment, components, and consumable  
9 supplies used in the modification, replacement, repair, and  
10 maintenance of aircraft engines or power plants, whether such  
11 engines or power plants are installed or uninstalled upon any  
12 such aircraft. "Consumable supplies" include, but are not  
13 limited to, adhesive, tape, sandpaper, general purpose  
14 lubricants, cleaning solution, latex gloves, and protective  
15 films. This exemption applies only to the transfer of  
16 qualifying tangible personal property incident to the  
17 modification, refurbishment, completion, replacement, repair,  
18 or maintenance of an aircraft by persons who (i) hold an Air  
19 Agency Certificate and are empowered to operate an approved  
20 repair station by the Federal Aviation Administration, (ii)  
21 have a Class IV Rating, and (iii) conduct operations in  
22 accordance with Part 145 of the Federal Aviation Regulations.  
23 The exemption does not include aircraft operated by a  
24 commercial air carrier providing scheduled passenger air  
25 service pursuant to authority issued under Part 121 or Part 129  
26 of the Federal Aviation Regulations. The changes made to this

1 paragraph (29) by Public Act 98-534 are declarative of existing  
2 law.

3 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
4 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-756, eff.  
5 7-16-14; 99-180, eff. 7-29-15.)

6 Section 20. The Retailers' Occupation Tax Act is amended by  
7 changing Sections 2-5 and 2-45 as follows:

8 (35 ILCS 120/2-5)

9 Sec. 2-5. Exemptions. Gross receipts from proceeds from the  
10 sale of the following tangible personal property are exempt  
11 from the tax imposed by this Act:

12 (1) Farm chemicals.

13 (2) Farm machinery and equipment, both new and used,  
14 including that manufactured on special order, certified by the  
15 purchaser to be used primarily for production agriculture or  
16 State or federal agricultural programs, including individual  
17 replacement parts for the machinery and equipment, including  
18 machinery and equipment purchased for lease, and including  
19 implements of husbandry defined in Section 1-130 of the  
20 Illinois Vehicle Code, farm machinery and agricultural  
21 chemical and fertilizer spreaders, and nurse wagons required to  
22 be registered under Section 3-809 of the Illinois Vehicle Code,  
23 but excluding other motor vehicles required to be registered  
24 under the Illinois Vehicle Code. Horticultural polyhouses or

1 hoop houses used for propagating, growing, or overwintering  
2 plants shall be considered farm machinery and equipment under  
3 this item (2). Agricultural chemical tender tanks and dry boxes  
4 shall include units sold separately from a motor vehicle  
5 required to be licensed and units sold mounted on a motor  
6 vehicle required to be licensed, if the selling price of the  
7 tender is separately stated.

8 Farm machinery and equipment shall include precision  
9 farming equipment that is installed or purchased to be  
10 installed on farm machinery and equipment including, but not  
11 limited to, tractors, harvesters, sprayers, planters, seeders,  
12 or spreaders. Precision farming equipment includes, but is not  
13 limited to, soil testing sensors, computers, monitors,  
14 software, global positioning and mapping systems, and other  
15 such equipment.

16 Farm machinery and equipment also includes computers,  
17 sensors, software, and related equipment used primarily in the  
18 computer-assisted operation of production agriculture  
19 facilities, equipment, and activities such as, but not limited  
20 to, the collection, monitoring, and correlation of animal and  
21 crop data for the purpose of formulating animal diets and  
22 agricultural chemicals. This item (2) is exempt from the  
23 provisions of Section 2-70.

24 (3) Until July 1, 2003, distillation machinery and  
25 equipment, sold as a unit or kit, assembled or installed by the  
26 retailer, certified by the user to be used only for the

1 production of ethyl alcohol that will be used for consumption  
2 as motor fuel or as a component of motor fuel for the personal  
3 use of the user, and not subject to sale or resale.

4 (4) Until July 1, 2003 and beginning again September 1,  
5 2004 through August 30, 2014, graphic arts machinery and  
6 equipment, including repair and replacement parts, both new and  
7 used, and including that manufactured on special order or  
8 purchased for lease, certified by the purchaser to be used  
9 primarily for graphic arts production. Equipment includes  
10 chemicals or chemicals acting as catalysts but only if the  
11 chemicals or chemicals acting as catalysts effect a direct and  
12 immediate change upon a graphic arts product. Beginning on  
13 August 31, 2014, graphic arts machinery and equipment is  
14 included in the manufacturing and assembling machinery and  
15 equipment exemption under paragraph (14).

16 (5) A motor vehicle that is used for automobile renting, as  
17 defined in the Automobile Renting Occupation and Use Tax Act.  
18 This paragraph is exempt from the provisions of Section 2-70.

19 (6) Personal property sold by a teacher-sponsored student  
20 organization affiliated with an elementary or secondary school  
21 located in Illinois.

22 (7) Until July 1, 2003, proceeds of that portion of the  
23 selling price of a passenger car the sale of which is subject  
24 to the Replacement Vehicle Tax.

25 (8) Personal property sold to an Illinois county fair  
26 association for use in conducting, operating, or promoting the

1 county fair.

2 (9) Personal property sold to a not-for-profit arts or  
3 cultural organization that establishes, by proof required by  
4 the Department by rule, that it has received an exemption under  
5 Section 501(c)(3) of the Internal Revenue Code and that is  
6 organized and operated primarily for the presentation or  
7 support of arts or cultural programming, activities, or  
8 services. These organizations include, but are not limited to,  
9 music and dramatic arts organizations such as symphony  
10 orchestras and theatrical groups, arts and cultural service  
11 organizations, local arts councils, visual arts organizations,  
12 and media arts organizations. On and after the effective date  
13 of this amendatory Act of the 92nd General Assembly, however,  
14 an entity otherwise eligible for this exemption shall not make  
15 tax-free purchases unless it has an active identification  
16 number issued by the Department.

17 (10) Personal property sold by a corporation, society,  
18 association, foundation, institution, or organization, other  
19 than a limited liability company, that is organized and  
20 operated as a not-for-profit service enterprise for the benefit  
21 of persons 65 years of age or older if the personal property  
22 was not purchased by the enterprise for the purpose of resale  
23 by the enterprise.

24 (11) Personal property sold to a governmental body, to a  
25 corporation, society, association, foundation, or institution  
26 organized and operated exclusively for charitable, religious,

1 or educational purposes, or to a not-for-profit corporation,  
2 society, association, foundation, institution, or organization  
3 that has no compensated officers or employees and that is  
4 organized and operated primarily for the recreation of persons  
5 55 years of age or older. A limited liability company may  
6 qualify for the exemption under this paragraph only if the  
7 limited liability company is organized and operated  
8 exclusively for educational purposes. On and after July 1,  
9 1987, however, no entity otherwise eligible for this exemption  
10 shall make tax-free purchases unless it has an active  
11 identification number issued by the Department.

12 (12) Tangible personal property sold to interstate  
13 carriers for hire for use as rolling stock moving in interstate  
14 commerce or to lessors under leases of one year or longer  
15 executed or in effect at the time of purchase by interstate  
16 carriers for hire for use as rolling stock moving in interstate  
17 commerce and equipment operated by a telecommunications  
18 provider, licensed as a common carrier by the Federal  
19 Communications Commission, which is permanently installed in  
20 or affixed to aircraft moving in interstate commerce.

21 (12-5) On and after July 1, 2003 and through June 30, 2004,  
22 motor vehicles of the second division with a gross vehicle  
23 weight in excess of 8,000 pounds that are subject to the  
24 commercial distribution fee imposed under Section 3-815.1 of  
25 the Illinois Vehicle Code. Beginning on July 1, 2004 and  
26 through June 30, 2005, the use in this State of motor vehicles

1 of the second division: (i) with a gross vehicle weight rating  
2 in excess of 8,000 pounds; (ii) that are subject to the  
3 commercial distribution fee imposed under Section 3-815.1 of  
4 the Illinois Vehicle Code; and (iii) that are primarily used  
5 for commercial purposes. Through June 30, 2005, this exemption  
6 applies to repair and replacement parts added after the initial  
7 purchase of such a motor vehicle if that motor vehicle is used  
8 in a manner that would qualify for the rolling stock exemption  
9 otherwise provided for in this Act. For purposes of this  
10 paragraph, "used for commercial purposes" means the  
11 transportation of persons or property in furtherance of any  
12 commercial or industrial enterprise whether for-hire or not.

13 (13) Proceeds from sales to owners, lessors, or shippers of  
14 tangible personal property that is utilized by interstate  
15 carriers for hire for use as rolling stock moving in interstate  
16 commerce and equipment operated by a telecommunications  
17 provider, licensed as a common carrier by the Federal  
18 Communications Commission, which is permanently installed in  
19 or affixed to aircraft moving in interstate commerce.

20 (14) Machinery and equipment that will be used by the  
21 purchaser, or a lessee of the purchaser, primarily in the  
22 process of manufacturing or assembling tangible personal  
23 property for wholesale or retail sale or lease, whether the  
24 sale or lease is made directly by the manufacturer or by some  
25 other person, whether the materials used in the process are  
26 owned by the manufacturer or some other person, or whether the

1 sale or lease is made apart from or as an incident to the  
2 seller's engaging in the service occupation of producing  
3 machines, tools, dies, jigs, patterns, gauges, or other similar  
4 items of no commercial value on special order for a particular  
5 purchaser. The exemption provided by this paragraph (14) does  
6 not include machinery and equipment used in (i) the generation  
7 of electricity for wholesale or retail sale; (ii) the  
8 generation or treatment of natural or artificial gas for  
9 wholesale or retail sale that is delivered to customers through  
10 pipes, pipelines, or mains; or (iii) the treatment of water for  
11 wholesale or retail sale that is delivered to customers through  
12 pipes, pipelines, or mains. The provisions of Public Act 98-583  
13 are declaratory of existing law as to the meaning and scope of  
14 this exemption. Beginning on August 31, 2014, the exemption  
15 provided by this paragraph (14) includes, but is not limited  
16 to, graphic arts machinery and equipment, as defined in  
17 paragraph (4) of this Section. The exemption provided by this  
18 paragraph (14) is exempt from the provisions of Section 2-70.

19 (15) Proceeds of mandatory service charges separately  
20 stated on customers' bills for purchase and consumption of food  
21 and beverages, to the extent that the proceeds of the service  
22 charge are in fact turned over as tips or as a substitute for  
23 tips to the employees who participate directly in preparing,  
24 serving, hosting or cleaning up the food or beverage function  
25 with respect to which the service charge is imposed.

26 (16) Petroleum products sold to a purchaser if the seller

1 is prohibited by federal law from charging tax to the  
2 purchaser.

3 (17) Tangible personal property sold to a common carrier by  
4 rail or motor that receives the physical possession of the  
5 property in Illinois and that transports the property, or  
6 shares with another common carrier in the transportation of the  
7 property, out of Illinois on a standard uniform bill of lading  
8 showing the seller of the property as the shipper or consignor  
9 of the property to a destination outside Illinois, for use  
10 outside Illinois.

11 (18) Legal tender, currency, medallions, or gold or silver  
12 coinage issued by the State of Illinois, the government of the  
13 United States of America, or the government of any foreign  
14 country, and bullion.

15 (19) Until July 1 2003, oil field exploration, drilling,  
16 and production equipment, including (i) rigs and parts of rigs,  
17 rotary rigs, cable tool rigs, and workover rigs, (ii) pipe and  
18 tubular goods, including casing and drill strings, (iii) pumps  
19 and pump-jack units, (iv) storage tanks and flow lines, (v) any  
20 individual replacement part for oil field exploration,  
21 drilling, and production equipment, and (vi) machinery and  
22 equipment purchased for lease; but excluding motor vehicles  
23 required to be registered under the Illinois Vehicle Code.

24 (20) Photoprocessing machinery and equipment, including  
25 repair and replacement parts, both new and used, including that  
26 manufactured on special order, certified by the purchaser to be

1 used primarily for photoprocessing, and including  
2 photoprocessing machinery and equipment purchased for lease.

3 (21) Coal and aggregate exploration, mining, off-highway  
4 hauling, processing, maintenance, and reclamation equipment,  
5 including replacement parts and equipment, and including  
6 equipment purchased for lease, but excluding motor vehicles  
7 required to be registered under the Illinois Vehicle Code. The  
8 changes made to this Section by Public Act 97-767 apply on and  
9 after July 1, 2003, but no claim for credit or refund is  
10 allowed on or after August 16, 2013 (the effective date of  
11 Public Act 98-456) for such taxes paid during the period  
12 beginning July 1, 2003 and ending on August 16, 2013 (the  
13 effective date of Public Act 98-456).

14 (22) Until June 30, 2013, fuel and petroleum products sold  
15 to or used by an air carrier, certified by the carrier to be  
16 used for consumption, shipment, or storage in the conduct of  
17 its business as an air common carrier, for a flight destined  
18 for or returning from a location or locations outside the  
19 United States without regard to previous or subsequent domestic  
20 stopovers.

21 Beginning July 1, 2013, fuel and petroleum products sold to  
22 or used by an air carrier, certified by the carrier to be used  
23 for consumption, shipment, or storage in the conduct of its  
24 business as an air common carrier, for a flight that (i) is  
25 engaged in foreign trade or is engaged in trade between the  
26 United States and any of its possessions and (ii) transports at

1 least one individual or package for hire from the city of  
2 origination to the city of final destination on the same  
3 aircraft, without regard to a change in the flight number of  
4 that aircraft.

5 (23) A transaction in which the purchase order is received  
6 by a florist who is located outside Illinois, but who has a  
7 florist located in Illinois deliver the property to the  
8 purchaser or the purchaser's donee in Illinois.

9 (24) Fuel consumed or used in the operation of ships,  
10 barges, or vessels that are used primarily in or for the  
11 transportation of property or the conveyance of persons for  
12 hire on rivers bordering on this State if the fuel is delivered  
13 by the seller to the purchaser's barge, ship, or vessel while  
14 it is afloat upon that bordering river.

15 (25) Except as provided in item (25-5) of this Section, a  
16 motor vehicle sold in this State to a nonresident even though  
17 the motor vehicle is delivered to the nonresident in this  
18 State, if the motor vehicle is not to be titled in this State,  
19 and if a drive-away permit is issued to the motor vehicle as  
20 provided in Section 3-603 of the Illinois Vehicle Code or if  
21 the nonresident purchaser has vehicle registration plates to  
22 transfer to the motor vehicle upon returning to his or her home  
23 state. The issuance of the drive-away permit or having the  
24 out-of-state registration plates to be transferred is prima  
25 facie evidence that the motor vehicle will not be titled in  
26 this State.

1           (25-5) The exemption under item (25) does not apply if the  
2 state in which the motor vehicle will be titled does not allow  
3 a reciprocal exemption for a motor vehicle sold and delivered  
4 in that state to an Illinois resident but titled in Illinois.  
5 The tax collected under this Act on the sale of a motor vehicle  
6 in this State to a resident of another state that does not  
7 allow a reciprocal exemption shall be imposed at a rate equal  
8 to the state's rate of tax on taxable property in the state in  
9 which the purchaser is a resident, except that the tax shall  
10 not exceed the tax that would otherwise be imposed under this  
11 Act. At the time of the sale, the purchaser shall execute a  
12 statement, signed under penalty of perjury, of his or her  
13 intent to title the vehicle in the state in which the purchaser  
14 is a resident within 30 days after the sale and of the fact of  
15 the payment to the State of Illinois of tax in an amount  
16 equivalent to the state's rate of tax on taxable property in  
17 his or her state of residence and shall submit the statement to  
18 the appropriate tax collection agency in his or her state of  
19 residence. In addition, the retailer must retain a signed copy  
20 of the statement in his or her records. Nothing in this item  
21 shall be construed to require the removal of the vehicle from  
22 this state following the filing of an intent to title the  
23 vehicle in the purchaser's state of residence if the purchaser  
24 titles the vehicle in his or her state of residence within 30  
25 days after the date of sale. The tax collected under this Act  
26 in accordance with this item (25-5) shall be proportionately

1 distributed as if the tax were collected at the 6.25% general  
2 rate imposed under this Act.

3 (25-7) Beginning on July 1, 2007, no tax is imposed under  
4 this Act on the sale of an aircraft, as defined in Section 3 of  
5 the Illinois Aeronautics Act, if all of the following  
6 conditions are met:

7 (1) the aircraft leaves this State within 15 days after  
8 the later of either the issuance of the final billing for  
9 the sale of the aircraft, or the authorized approval for  
10 return to service, completion of the maintenance record  
11 entry, and completion of the test flight and ground test  
12 for inspection, as required by 14 C.F.R. 91.407;

13 (2) the aircraft is not based or registered in this  
14 State after the sale of the aircraft; and

15 (3) the seller retains in his or her books and records  
16 and provides to the Department a signed and dated  
17 certification from the purchaser, on a form prescribed by  
18 the Department, certifying that the requirements of this  
19 item (25-7) are met. The certificate must also include the  
20 name and address of the purchaser, the address of the  
21 location where the aircraft is to be titled or registered,  
22 the address of the primary physical location of the  
23 aircraft, and other information that the Department may  
24 reasonably require.

25 For purposes of this item (25-7):

26 "Based in this State" means hangared, stored, or otherwise

1 used, excluding post-sale customizations as defined in this  
2 Section, for 10 or more days in each 12-month period  
3 immediately following the date of the sale of the aircraft.

4 "Registered in this State" means an aircraft registered  
5 with the Department of Transportation, Aeronautics Division,  
6 or titled or registered with the Federal Aviation  
7 Administration to an address located in this State.

8 This paragraph (25-7) is exempt from the provisions of  
9 Section 2-70.

10 (26) Semen used for artificial insemination of livestock  
11 for direct agricultural production.

12 (27) Horses, or interests in horses, registered with and  
13 meeting the requirements of any of the Arabian Horse Club  
14 Registry of America, Appaloosa Horse Club, American Quarter  
15 Horse Association, United States Trotting Association, or  
16 Jockey Club, as appropriate, used for purposes of breeding or  
17 racing for prizes. This item (27) is exempt from the provisions  
18 of Section 2-70, and the exemption provided for under this item  
19 (27) applies for all periods beginning May 30, 1995, but no  
20 claim for credit or refund is allowed on or after January 1,  
21 2008 (the effective date of Public Act 95-88) for such taxes  
22 paid during the period beginning May 30, 2000 and ending on  
23 January 1, 2008 (the effective date of Public Act 95-88).

24 (28) Computers and communications equipment utilized for  
25 any hospital purpose and equipment used in the diagnosis,  
26 analysis, or treatment of hospital patients sold to a lessor

1 who leases the equipment, under a lease of one year or longer  
2 executed or in effect at the time of the purchase, to a  
3 hospital that has been issued an active tax exemption  
4 identification number by the Department under Section 1g of  
5 this Act.

6 (29) Personal property sold to a lessor who leases the  
7 property, under a lease of one year or longer executed or in  
8 effect at the time of the purchase, to a governmental body that  
9 has been issued an active tax exemption identification number  
10 by the Department under Section 1g of this Act.

11 (30) Beginning with taxable years ending on or after  
12 December 31, 1995 and ending with taxable years ending on or  
13 before December 31, 2004, personal property that is donated for  
14 disaster relief to be used in a State or federally declared  
15 disaster area in Illinois or bordering Illinois by a  
16 manufacturer or retailer that is registered in this State to a  
17 corporation, society, association, foundation, or institution  
18 that has been issued a sales tax exemption identification  
19 number by the Department that assists victims of the disaster  
20 who reside within the declared disaster area.

21 (31) Beginning with taxable years ending on or after  
22 December 31, 1995 and ending with taxable years ending on or  
23 before December 31, 2004, personal property that is used in the  
24 performance of infrastructure repairs in this State, including  
25 but not limited to municipal roads and streets, access roads,  
26 bridges, sidewalks, waste disposal systems, water and sewer

1 line extensions, water distribution and purification  
2 facilities, storm water drainage and retention facilities, and  
3 sewage treatment facilities, resulting from a State or  
4 federally declared disaster in Illinois or bordering Illinois  
5 when such repairs are initiated on facilities located in the  
6 declared disaster area within 6 months after the disaster.

7 (32) Beginning July 1, 1999, game or game birds sold at a  
8 "game breeding and hunting preserve area" as that term is used  
9 in the Wildlife Code. This paragraph is exempt from the  
10 provisions of Section 2-70.

11 (33) A motor vehicle, as that term is defined in Section  
12 1-146 of the Illinois Vehicle Code, that is donated to a  
13 corporation, limited liability company, society, association,  
14 foundation, or institution that is determined by the Department  
15 to be organized and operated exclusively for educational  
16 purposes. For purposes of this exemption, "a corporation,  
17 limited liability company, society, association, foundation,  
18 or institution organized and operated exclusively for  
19 educational purposes" means all tax-supported public schools,  
20 private schools that offer systematic instruction in useful  
21 branches of learning by methods common to public schools and  
22 that compare favorably in their scope and intensity with the  
23 course of study presented in tax-supported schools, and  
24 vocational or technical schools or institutes organized and  
25 operated exclusively to provide a course of study of not less  
26 than 6 weeks duration and designed to prepare individuals to

1 follow a trade or to pursue a manual, technical, mechanical,  
2 industrial, business, or commercial occupation.

3 (34) Beginning January 1, 2000, personal property,  
4 including food, purchased through fundraising events for the  
5 benefit of a public or private elementary or secondary school,  
6 a group of those schools, or one or more school districts if  
7 the events are sponsored by an entity recognized by the school  
8 district that consists primarily of volunteers and includes  
9 parents and teachers of the school children. This paragraph  
10 does not apply to fundraising events (i) for the benefit of  
11 private home instruction or (ii) for which the fundraising  
12 entity purchases the personal property sold at the events from  
13 another individual or entity that sold the property for the  
14 purpose of resale by the fundraising entity and that profits  
15 from the sale to the fundraising entity. This paragraph is  
16 exempt from the provisions of Section 2-70.

17 (35) Beginning January 1, 2000 and through December 31,  
18 2001, new or used automatic vending machines that prepare and  
19 serve hot food and beverages, including coffee, soup, and other  
20 items, and replacement parts for these machines. Beginning  
21 January 1, 2002 and through June 30, 2003, machines and parts  
22 for machines used in commercial, coin-operated amusement and  
23 vending business if a use or occupation tax is paid on the  
24 gross receipts derived from the use of the commercial,  
25 coin-operated amusement and vending machines. This paragraph  
26 is exempt from the provisions of Section 2-70.

1 (35-5) Beginning August 23, 2001 and through June 30, 2016,  
2 food for human consumption that is to be consumed off the  
3 premises where it is sold (other than alcoholic beverages, soft  
4 drinks, and food that has been prepared for immediate  
5 consumption) and prescription and nonprescription medicines,  
6 drugs, medical appliances, and insulin, urine testing  
7 materials, syringes, and needles used by diabetics, for human  
8 use, when purchased for use by a person receiving medical  
9 assistance under Article V of the Illinois Public Aid Code who  
10 resides in a licensed long-term care facility, as defined in  
11 the Nursing Home Care Act, or a licensed facility as defined in  
12 the ID/DD Community Care Act, the MC/DD Act, or the Specialized  
13 Mental Health Rehabilitation Act of 2013.

14 (36) Beginning August 2, 2001, computers and  
15 communications equipment utilized for any hospital purpose and  
16 equipment used in the diagnosis, analysis, or treatment of  
17 hospital patients sold to a lessor who leases the equipment,  
18 under a lease of one year or longer executed or in effect at  
19 the time of the purchase, to a hospital that has been issued an  
20 active tax exemption identification number by the Department  
21 under Section 1g of this Act. This paragraph is exempt from the  
22 provisions of Section 2-70.

23 (37) Beginning August 2, 2001, personal property sold to a  
24 lessor who leases the property, under a lease of one year or  
25 longer executed or in effect at the time of the purchase, to a  
26 governmental body that has been issued an active tax exemption

1 identification number by the Department under Section 1g of  
2 this Act. This paragraph is exempt from the provisions of  
3 Section 2-70.

4 (38) Beginning on January 1, 2002 and through June 30,  
5 2016, tangible personal property purchased from an Illinois  
6 retailer by a taxpayer engaged in centralized purchasing  
7 activities in Illinois who will, upon receipt of the property  
8 in Illinois, temporarily store the property in Illinois (i) for  
9 the purpose of subsequently transporting it outside this State  
10 for use or consumption thereafter solely outside this State or  
11 (ii) for the purpose of being processed, fabricated, or  
12 manufactured into, attached to, or incorporated into other  
13 tangible personal property to be transported outside this State  
14 and thereafter used or consumed solely outside this State. The  
15 Director of Revenue shall, pursuant to rules adopted in  
16 accordance with the Illinois Administrative Procedure Act,  
17 issue a permit to any taxpayer in good standing with the  
18 Department who is eligible for the exemption under this  
19 paragraph (38). The permit issued under this paragraph (38)  
20 shall authorize the holder, to the extent and in the manner  
21 specified in the rules adopted under this Act, to purchase  
22 tangible personal property from a retailer exempt from the  
23 taxes imposed by this Act. Taxpayers shall maintain all  
24 necessary books and records to substantiate the use and  
25 consumption of all such tangible personal property outside of  
26 the State of Illinois.

1           (39) Beginning January 1, 2008, tangible personal property  
2 used in the construction or maintenance of a community water  
3 supply, as defined under Section 3.145 of the Environmental  
4 Protection Act, that is operated by a not-for-profit  
5 corporation that holds a valid water supply permit issued under  
6 Title IV of the Environmental Protection Act. This paragraph is  
7 exempt from the provisions of Section 2-70.

8           (40) Beginning January 1, 2010, materials, parts,  
9 equipment, components, and furnishings incorporated into or  
10 upon an aircraft as part of the modification, refurbishment,  
11 completion, replacement, repair, or maintenance of the  
12 aircraft. This exemption includes consumable supplies used in  
13 the modification, refurbishment, completion, replacement,  
14 repair, and maintenance of aircraft, but excludes any  
15 materials, parts, equipment, components, and consumable  
16 supplies used in the modification, replacement, repair, and  
17 maintenance of aircraft engines or power plants, whether such  
18 engines or power plants are installed or uninstalled upon any  
19 such aircraft. "Consumable supplies" include, but are not  
20 limited to, adhesive, tape, sandpaper, general purpose  
21 lubricants, cleaning solution, latex gloves, and protective  
22 films. This exemption applies only to the sale of qualifying  
23 tangible personal property to persons who modify, refurbish,  
24 complete, replace, or maintain an aircraft and who (i) hold an  
25 Air Agency Certificate and are empowered to operate an approved  
26 repair station by the Federal Aviation Administration, (ii)

1 have a Class IV Rating, and (iii) conduct operations in  
2 accordance with Part 145 of the Federal Aviation Regulations.  
3 The exemption does not include aircraft operated by a  
4 commercial air carrier providing scheduled passenger air  
5 service pursuant to authority issued under Part 121 or Part 129  
6 of the Federal Aviation Regulations. The changes made to this  
7 paragraph (40) by Public Act 98-534 are declarative of existing  
8 law.

9 (41) Tangible personal property sold to a  
10 public-facilities corporation, as described in Section  
11 11-65-10 of the Illinois Municipal Code, for purposes of  
12 constructing or furnishing a municipal convention hall, but  
13 only if the legal title to the municipal convention hall is  
14 transferred to the municipality without any further  
15 consideration by or on behalf of the municipality at the time  
16 of the completion of the municipal convention hall or upon the  
17 retirement or redemption of any bonds or other debt instruments  
18 issued by the public-facilities corporation in connection with  
19 the development of the municipal convention hall. This  
20 exemption includes existing public-facilities corporations as  
21 provided in Section 11-65-25 of the Illinois Municipal Code.  
22 This paragraph is exempt from the provisions of Section 2-70.

23 (Source: P.A. 98-104, eff. 7-22-13; 98-422, eff. 8-16-13;  
24 98-456, eff. 8-16-13; 98-534, eff. 8-23-13; 98-574, eff.  
25 1-1-14; 98-583, eff. 1-1-14; 98-756, eff. 7-16-14; 99-180, eff.  
26 7-29-15.)

1 (35 ILCS 120/2-45) (from Ch. 120, par. 441-45)

2 Sec. 2-45. Manufacturing and assembly exemption. The  
3 manufacturing and assembly machinery and equipment exemption  
4 includes machinery and equipment that replaces machinery and  
5 equipment in an existing manufacturing facility as well as  
6 machinery and equipment that are for use in an expanded or new  
7 manufacturing facility.

8 The machinery and equipment exemption also includes  
9 machinery and equipment used in the general maintenance or  
10 repair of exempt machinery and equipment or for in-house  
11 manufacture of exempt machinery and equipment. Beginning on  
12 August 31, 2014, the manufacturing and assembling machinery and  
13 equipment exemption also includes graphic arts machinery and  
14 equipment, as defined in paragraph (4) of Section 2-5. The  
15 machinery and equipment exemption does not include machinery  
16 and equipment used in (i) the generation of electricity for  
17 wholesale or retail sale; (ii) the generation or treatment of  
18 natural or artificial gas for wholesale or retail sale that is  
19 delivered to customers through pipes, pipelines, or mains; or  
20 (iii) the treatment of water for wholesale or retail sale that  
21 is delivered to customers through pipes, pipelines, or mains.  
22 The provisions of this amendatory Act of the 98th General  
23 Assembly are declaratory of existing law as to the meaning and  
24 scope of this exemption. For the purposes of this exemption,  
25 terms have the following meanings:

1           (1) "Manufacturing process" means the production of an  
2 article of tangible personal property, whether the article  
3 is a finished product or an article for use in the process  
4 of manufacturing or assembling a different article of  
5 tangible personal property, by a procedure commonly  
6 regarded as manufacturing, processing, fabricating, or  
7 refining that changes some existing material or materials  
8 into a material with a different form, use, or name. In  
9 relation to a recognized integrated business composed of a  
10 series of operations that collectively constitute  
11 manufacturing, or individually constitute manufacturing  
12 operations, the manufacturing process commences with the  
13 first operation or stage of production in the series and  
14 does not end until the completion of the final product in  
15 the last operation or stage of production in the series.  
16 For purposes of this exemption, photoprocessing is a  
17 manufacturing process of tangible personal property for  
18 wholesale or retail sale.

19           (2) "Assembling process" means the production of an  
20 article of tangible personal property, whether the article  
21 is a finished product or an article for use in the process  
22 of manufacturing or assembling a different article of  
23 tangible personal property, by the combination of existing  
24 materials in a manner commonly regarded as assembling that  
25 results in a material of a different form, use, or name.

26           (3) "Machinery" means major mechanical machines or

1 major components of those machines contributing to a  
2 manufacturing or assembling process.

3 (4) "Equipment" includes an independent device or tool  
4 separate from machinery but essential to an integrated  
5 manufacturing or assembly process; including computers  
6 used primarily in a manufacturer's computer assisted  
7 design, computer assisted manufacturing (CAD/CAM) system;  
8 any subunit or assembly comprising a component of any  
9 machinery or auxiliary, adjunct, or attachment parts of  
10 machinery, such as tools, dies, jigs, fixtures, patterns,  
11 and molds; and any parts that require periodic replacement  
12 in the course of normal operation; but does not include  
13 hand tools. Equipment includes chemicals or chemicals  
14 acting as catalysts but only if the chemicals or chemicals  
15 acting as catalysts effect a direct and immediate change  
16 upon a product being manufactured or assembled for  
17 wholesale or retail sale or lease.

18 (5) "Production related tangible personal property"  
19 means all tangible personal property that is used or  
20 consumed by the purchaser in a manufacturing facility in  
21 which a manufacturing process takes place and includes,  
22 without limitation, tangible personal property that is  
23 purchased for incorporation into real estate within a  
24 manufacturing facility and tangible personal property that  
25 is used or consumed in activities such as research and  
26 development, preproduction material handling, receiving,

1 quality control, inventory control, storage, staging, and  
2 packaging for shipping and transportation purposes.

3 "Production related tangible personal property" does not  
4 include (i) tangible personal property that is used, within  
5 or without a manufacturing facility, in sales, purchasing,  
6 accounting, fiscal management, marketing, personnel  
7 recruitment or selection, or landscaping or (ii) tangible  
8 personal property that is required to be titled or  
9 registered with a department, agency, or unit of federal,  
10 State, or local government.

11 The manufacturing and assembling machinery and equipment  
12 exemption includes production related tangible personal  
13 property that is purchased on or after July 1, 2007 and on or  
14 before June 30, 2008. The exemption for production related  
15 tangible personal property is subject to both of the following  
16 limitations:

17 (1) The maximum amount of the exemption for any one  
18 taxpayer may not exceed 5% of the purchase price of  
19 production related tangible personal property that is  
20 purchased on or after July 1, 2007 and on or before June  
21 30, 2008. A credit under Section 3-85 of this Act may not  
22 be earned by the purchase of production related tangible  
23 personal property for which an exemption is received under  
24 this Section.

25 (2) The maximum aggregate amount of the exemptions for  
26 production related tangible personal property awarded

1 under this Act and the Use Tax Act to all taxpayers may not  
2 exceed \$10,000,000. If the claims for the exemption exceed  
3 \$10,000,000, then the Department shall reduce the amount of  
4 the exemption to each taxpayer on a pro rata basis.

5 The Department may adopt rules to implement and administer the  
6 exemption for production related tangible personal property.

7 The manufacturing and assembling machinery and equipment  
8 exemption includes the sale of materials to a purchaser who  
9 produces exempted types of machinery, equipment, or tools and  
10 who rents or leases that machinery, equipment, or tools to a  
11 manufacturer of tangible personal property. This exemption  
12 also includes the sale of materials to a purchaser who  
13 manufactures those materials into an exempted type of  
14 machinery, equipment, or tools that the purchaser uses himself  
15 or herself in the manufacturing of tangible personal property.  
16 The purchaser of the machinery and equipment who has an active  
17 resale registration number shall furnish that number to the  
18 seller at the time of purchase. A purchaser of the machinery,  
19 equipment, and tools without an active resale registration  
20 number shall furnish to the seller a certificate of exemption  
21 for each transaction stating facts establishing the exemption  
22 for that transaction, and that certificate shall be available  
23 to the Department for inspection or audit. Informal rulings,  
24 opinions, or letters issued by the Department in response to an  
25 inquiry or request for an opinion from any person regarding the  
26 coverage and applicability of this exemption to specific

1 devices shall be published, maintained as a public record, and  
2 made available for public inspection and copying. If the  
3 informal ruling, opinion, or letter contains trade secrets or  
4 other confidential information, where possible, the Department  
5 shall delete that information before publication. Whenever  
6 informal rulings, opinions, or letters contain a policy of  
7 general applicability, the Department shall formulate and  
8 adopt that policy as a rule in accordance with the Illinois  
9 Administrative Procedure Act.

10 The manufacturing and assembling machinery and equipment  
11 exemption is exempt from the provisions of Section 2-70.

12 (Source: P.A. 98-583, eff. 1-1-14.)

13 Section 99. Effective date. This Act takes effect upon  
14 becoming law.